

## ***Rerum Novarum* and Economic Thought**

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Upon reading *Rerum Novarum* (RN) for the first time, with no prior commitment to the teaching authority of its author, an economist of the present day may be struck by a nagging sense of unreality. We are told of the “utter poverty of the masses” (Leo XIII, 1891, 1) at a time when real income per head had more than doubled in Britain, Germany, France, Belgium and Denmark during the previous sixty years, and had grown significantly in all other European countries, even in backward Italy (Bairoch, 1976, tables 4, 10). We read that “a small number of very rich men have been able to lay upon the teeming masses of the laboring poor a yoke little better than that of slavery itself” (Leo XIII, 1891, 3). But the greatest inequality in Europe had existed between 1500 and 1650, long before industrialization. Throughout the century before 1891 income distribution was becoming more equal (Hoffman, Jacks, Levin, & Lindert, 2002). It was in France in 1788, on the eve of the revolution that Leo XIII and his predecessors so vehemently deplored, that inequality was most flagrant. Annual average per-capita income of the nobility and clergy (“a small number of very rich men”) was 3,620 livres: that of day laborers (“the teeming masses”) a bare subsistence of 45 livres (Morrisson and Snyder, 2000, table 3).

Puzzlement grows as we read that the cause of “the condition of the working classes” (Leo XIII, 1891, 2) is “the greed of unchecked competition” and “rapacious usury” (Leo XIII, 1891, 3); but that “the first and most fundamental principle . . . if one would undertake to alleviate the condition of the masses, must be the inviolability of private property” (Leo XIII, 1891, 15). It would seem that if we wish to write an intellectual history of the relation between *Rerum Novarum* and “economic thought” which does justice to that famous encyclical, we must be prepared to enter an utterly different thought-world.

That thought-world had its origins in the catastrophic effect on the papacy of the French Revolution. But it was incipient during the previous century in a growing distance between the clergy and lay intellec-

tuals in France (though not in Britain) which was a side-effect of the European “Enlightenment.” I shall therefore begin by recapitulating the circumstances of papal thinking in the century or so before *RN*; in part 2 attempt a summary of its content; and conclude by looking critically at the relation between the encyclical and what we now recognize as economic thought. By “economic thought” I shall mean what is now generally called *economic analysis*: a scientific study of human economizing behavior that deliberately abstracts from normative considerations so far as this may be possible.

## 1 The Thought-World of Leo XIII and *Rerum Novarum*

### 1.1 Enlightenment and Revolution

Pope Pius VI (1717–1799), who was arrested by French republican troops in Rome, deported to Valence, France and left to die obscurely in a government hostel, lived during the high noon of the Enlightenment. As viewed from Rome, the Enlightenment was a Bad Thing. That enlightened and benevolent despot, Emperor Joseph II of Austria (co-regent from 1765, emperor 1780–1790), sought to rationalize the Church throughout the Holy Roman Empire, granting freedom of religion, discouraging superstitious customs, and regulating many details of the temporalities. “Fundamental questions of doctrine fell within the jurisdiction of the Pope. Everything else in the life of the Church was for the Emperor to regulate” (Duffy, 2006, p. 269). An even more serious consequence of “enlightenment” in the long run was an alienation of the Roman Catholic clergy from the mainstream of European intellectual life (Waterman, 2004a).

It is important to recognize that “enlightenment” was regionally specific (Pocock, 1980, 1985). The French Enlightenment was anti-clerical and at best cool to Christianity. In England the reverse was the case.

In every country indeed the aim was to extend Newton’s triumphant method into all fields of human inquiry (Berlin, 1956). For

Nature, and Nature’s Laws lay hid in Night:  
God said, *Let NEWTON be*: and All was Light!

But insofar as there was an “Enlightenment Project” at all, an important part of that program was a renewal of Christian faith after the disastrous religious turmoil of the previous two centuries (Cassirer, 1951,

pp. 134–36). This was understood to require that contemporary religion be purged of “superstition” and “enthusiasm”—which David Hume (as cited in Haakonssen, 1994, p. 46), speaking for all, described as “the corruptions of true religion.”

*Enthusiasm* meant the claim to direct illumination by the Holy Spirit, which had produced the many assaults on law and order committed by “furious and violent” sectaries: “the *anabaptists* in GERMANY, the *camisars* (sic) in FRANCE, the *levelers* and other fanatics in ENGLAND, and the *covenanters* in SCOTLAND” (Hume in Haakonssen, 1994, p. 48). Enthusiasm was understood in the same way, and regarded with equal disfavor, in all countries. But though *superstition* was equally reprehended, there was a crucial difference between Romanist and Protestant countries in the effect this had on intellectual culture.

The French *philosophes*, taught by Pierre Bayle (1697), saw “the crux of . . . superstition” as “the *hoc est corpus meum*, the basis of the doctrine of transubstantiation” (Whelan, 1989, p. 49). The crudest identification of superstition with transubstantiation appears in Voltaire’s (1975, p. 207) *Tombeau du Fanatisme*. In fact, “transubstantiation” was simply an attempt by mediaeval metaphysicians, unobjectionable in itself, to rationalize the Real Presence of Christ in the Eucharist. But during the Reformation it became a bone of contention, viciously attacked by some and intransigently defended by others. When the dust settled it had become a shibboleth. All who remained in communion with Rome were required to affirm the doctrine. All Protestants, including those who believed in the Real Presence, denied transubstantiation. Popular understanding and misunderstanding of the doctrine in Roman Catholic countries led to a widespread belief that it—and indeed the religion that imposed it—were mere superstition.

In England the *Test Act* of 1673 required all who sought public office to declare that “there is not any transubstantiation in the Sacrament of the Lord’s Supper.” This liberated Anglican intellectuals, both clerical and lay, to play a leading part in the “Enlightenment Project”: they could repudiate “superstition” with a clear conscience. The English Enlightenment was therefore conservative, clerical and “magisterial” (Jacob, 1981; Pocock, 1980, 1985). But in France the position of the clergy and lay faithful was very different. They were disqualified from joining the campaign against superstition. The *philosophes* therefore were all lay and anticlerical, and many either skeptical of, or actually hostile to,

Christianity. There were no major Catholic philosophers after Nicolas Malebranche (1638–1715), and even his work was placed on the Index. Though as late as 1730 the French Jesuit mathematician Louis Bertrand Castel had been elected to the (British) Royal Society, by mid-century clerics and lay conservatives had come to reject the idolatry of Newton that inspired the Enlightenment. In 1781 Castel's fellow-Jesuit, Augustin Barruel, blamed it for “rebellion, insubordination and anarchy” and called for *Principia* to be burned (Shank, 2008, pp. 10, 5). By the eve of the French Revolution the Roman clergy, especially perhaps in France, had become intellectually isolated.

Though the successor to Pius VI, while Bishop of Imola, had preached a “Jacobin” sermon published as a pastoral in 1797 showing that Liberté, Egalité, Fraternité were compatible with Christianity (Hales, 1960, pp. 106–110), it was clear by then that the Revolution had unleashed a frontal assault upon the Church and its religion. A “Constitutional Church” was created in 1792 to place control of the clergy – and church property – in the hands of the state, and to end the jurisdiction of the Pope. Those clerics who dissented were imprisoned or massacred; 30,000 escaped from France. King Louis XVI refused to authorize persecution and went to the guillotine himself in January 1793. In the Reign of Terror which followed (1793–94) the Constitutional Church itself was abandoned and the Religion of Humanity proclaimed. Churches were desecrated or closed, remaining clerics and religious cruelly persecuted, “pagan rituals of fertility and the fatherland devised, the Christian calendar abandoned for a ten-day week and new months dedicated to the cycle of growth and renewal” (Duffy, 2006, p. 279). Viewing these horrors from the safe distance of Lausanne, the Savoyard diplomatist Joseph de Maistre drew what seemed to many Roman Catholics of the time to be the obvious inference. In his *Considérations sur la France* he showed that the crimes of the Terror and its attempt to destroy Christianity were an inevitable consequence of the atheistic and “satanic” doctrines of French Enlightenment philosophy (Maistre, 1797/1994, pp. 41, 47–8). Pius VI himself had recognized this in his last encyclical (1791), which promulgated what was to be the normal Roman position for a century: “Carefully beware of lending your ears to the treacherous speech of the philosophy of this age which leads to death” (Pius VI, 1791, 32).

## 1.2 The “Ultramontane” View of the Papacy

In 1797 the Revolutionary General Napoleon Buonaparte annexed and secularized the Papal States of Ravenna and Bologna, closed monasteries, and confiscated church property. When rioting occurred in Rome two years later French troops entered the city, Rome was declared a republic, and the terminally ill Pius VI arrested and transported with great inhumanity over the Alps to France, where he died miserably. His body was denied a Christian burial (Duffy, 2006, pp. 281–2). This was the low point of the papacy in modern times. Some expected that it would become extinct.

However, when Napoleon came to power in a *coup d'état* two years later he soon came to see that most Frenchmen were still Christian, and that he needed the support of the Church if he were to achieve his ambition to become Emperor. He began secret negotiations with the Vatican, and in 1801 concluded a Concordat with the new Pope, Pius VII. The “Catholic, Apostolic and Roman religion” was once again allowed to be “freely exercised in France . . . conformable to the regulations . . . which the Government shall judge necessary for the public tranquility” (Roberts, 2014, pp. 273–75). The anti-Christian innovations of 1793 were reversed. Diocesan structure was modernized; the clergy was to be paid by the state; some women’s religious orders were reintroduced. But all church property remained in the hands of the *acquéreurs* to whom it had been alienated during the Revolution.

The “regulations” enabled Napoleon to dominate the French church and to intimidate the papacy. Pius was compelled to go to Paris in 1804 to crown Napoleon Emperor. In 1805 Napoleon annexed papal territories in Italy. The following year he insisted that Pius become his ally against England and Russia, which the Pope refused to do. In 1808 French troops again invaded Rome, arrested the Pope and exiled him to Savona. Napoleon annexed Rome. But over the next five years Napoleon’s military fortunes declined. He abdicated in 1814, and after his return from exile was finally defeated at Waterloo in 1815 (Roberts, 2014, pp. 291–97).

At the Congress of Vienna (1814–15) the victorious allied powers restored as much of the European *ancien régime* as possible. But the Roman communion was never again restored to its commanding position as the established church of the West. Except for Avignon the Papal States were restored to Rome. However, permanently lost endowment revenue made the Church dependent on the State for the payment of

its clergy, which meant government control. By 1829, 86% of all diocesan bishops in the world-wide Roman Church were appointed by the State (Duffy, 2006, p. 297). “After the French Revolution, after the Italian revolutions, neither society nor the Church-in-society could be the same again” (Hales, 1960, p. 129).

Bereft of its temporal power, what became ideologically important to the papacy at this juncture was the *spiritual* power of the Church as divinely appointed source of all authority. Writing now from St Petersburg, Maistre published his widely influential treatise *Du Pape*.

There can be no public morality and no national character without religion; there can be no Christianity without Catholicism; there can be no Catholicism without the Pope; there can be no Pope without the sovereignty that belongs to him (Maistre, 1819, quoted in Duffy, 2006, pp. 299–300).

Throughout the rest of the nineteenth century such “Ultramontanism,” as it was called, would increasingly dominate Catholic thinking (Duffy, 2006, p. 300). Gioacchino Pecce, the future author of *Rerum Novarum* as Pope Leo XIII, was a nine-year old boy in 1819 and a pupil at the Jesuit College in Viterbo.

A post-war generation of intellectuals, including Lammenais, Coux, Lacordaire, and Montelambert, accepted the Ultramontane doctrine of Maistre and his contemporary Louis de Bonald, but came to believe that it need not rule out the political freedom that their seniors had repudiated. In 1830 they founded a newspaper, *L’Avenir*, having the motto “God and Liberty,” advocating freedom of conscience, freedom of the press, and the separation of Church and State. The Church should rejoin the main stream of European thought and ally itself with liberal-democratic forces against Erastian absolutism.

In Rome, however, these unfamiliar ideas were viewed with alarm. A “stern and uncompromisingly authoritarian” (Duffy, 2006, p. 308), Pope Gregory XVI condemned them in his first encyclical, *Mirari Vos* (1832). The “absurd and erroneous” doctrine of “*liberty of conscience*,” (Gregory XVI, 1832, 14) the “never sufficiently denounced” freedom of the press, and the “unbridled lust for freedom” (Gregory XVI, 1832, 15) were explicitly linked to “writings which attack the trust and submission due to princes” (Gregory XVI, 1832, 17). “*Mirari Vos* is a landmark document . . . The papacy from now on was locked into an attitude of suspicious

repudiation of modern political developments, and the current of ideas which underlay them” (Duffy, 2006, p. 308). The European revolutions of 1848 and the later course of the Italian *Risorgimento* (c.1859–1871) only confirmed the worst fears of the Roman Curia.

Philosophy continued to be traduced as subversive. In papal encyclicals from *Charitas* (1791) to *Quanta Cura* (1864) there are numerous references to philosophy, all hostile save for one exception, *Singulari Quidem* (1856), which prescribed for seminarians an “entirely Catholic” course of philosophy “free from every danger of error” (Pius IX, 1856, 15). A *Syllabus of Errors* annexed to *Quanta Cura* condemned eighty propositions, many of which indeed are evidently incompatible with Christianity. But the last four, dealing with “Modern Liberalism,” condemned freedom of religion and freedom of speech, together with the claim that “the Roman Pontiff can and should reconcile and align himself with progress, liberalism and modern civilization” (Pius IX, 1864, 77–80). Gioacchino Pecci, now aged 54 and Archbishop of Perugia, was thought to be the “real instigator” of the *Syllabus* (Schmandt, 1961, pp. 19, 47).

When Cardinal Pecci became Pope Leo XIII in 1878 he brought with him more than thirty years of experience in fighting liberalism. Far more intellectual and sophisticated than his predecessors, he fought the enemy with the enemy’s own weapon: philosophy. *Aeterni Patris* (1879) made Thomism the official philosophy of his church and recommended “the teachings of Thomas on the true meaning of liberty, which at this time is running into license” (Leo XIII, 1879, 29). *Immortale Die* (1885) used Scholastic ideas to attack “that liberty which begets a contempt of the most sacred laws of God, and casts off the obedience due to lawful authority” (Leo XIII, 1885, 37). Three years later Leo issued *Libertas Praestantissimum* (1888), the most carefully worked out and perhaps the most important document of his pontificate, key to a right understanding of *Rerum Novarum* and all subsequent “social Catholicism.”

According to the Thomistic doctrine of *Libertas*, all rational beings have a *natural* liberty: “the faculty of choosing means fitted for the ends proposed” (Leo XIII, 1888, 5). But if the *will* seeks what is contrary to *reason* “it abuses its freedom . . . and corrupts its very essence” (Leo XIII, 1888, 6). Leo had no difficulty in proceeding on this basis to dispose of the characteristic doctrines of *political* liberalism: sovereignty of the people (Leo XIII, 1888, 16), the “so-called” liberties of religion (Leo XIII,

1888, 19), of speech and the press (Leo XIII, 1888, 23), of teaching (Leo XIII, 1888, 24), and of conscience (Leo XIII, 1888, 30) and the separation of Church and State (Leo XIII, 1888, 39). A possibly unintended consequence of that encyclical, however, was to undermine the intellectual foundation of *economic* liberalism, thereby insulating “Social Catholicism” from modern economic thought for another century. I shall consider this further in part 3 below. Meanwhile, what awareness had Leo and his advisers of “economic thought” of any kind?

### 1.3 “Social Catholicism” and Economic Thought before 1891

Long before *Rerum Novarum* European intellectuals, especially in France and Belgium, had begun to respond to the new social developments created by industrialization with “a Catholic approach to political economy.” One of the earliest, F. X. A. Droz (1773–1850), began as an *idéologue* during the French Revolution and was influenced by *Wealth of Nations*. Though familiar with political economy of the English School, he believed there should be a more equitable distribution of wealth than obtained under *laissez-faire*. But his social concern “was more centered on happiness than on justice” and not founded on charity or “other Gospel values” (Almodovar & Teixeira, 2008, pp. 65, 67).

A more likely “Precursor of Modern Social Catholicism” (Ring, 1935) was Alban de Villeneuve-Bargemont (1784–1850), whose substantial *Economie Politique Chrétienne* (1834) was welcomed by the newly-founded, pro-papal *Dublin Review* as an example of “the Catholic school” which “affirms, that the moral virtues, probity, chastity, and temperance, do truly . . . come into the catalogue of national riches” (*Dublin Review*, 1837, p. 176). The Scotch Presbyterian Thomas Chalmers had propounded similar views at about the same time, but their absurdity had been identified by Robert Malthus. “We have always been told, and most properly, to prefer virtue to wealth; but if morals be wealth, what confusion is at once introduced into all the language of moral and religious instruction” (Malthus personal correspondence to Chalmers, March 1832, quoted in Waterman, 1991, pp. 242–243).

Mary-Ignatius Ring (1935, pp. 211–39) attempted to show by parallel quotations, suggestive but rather strained in places, that Villeneuve’s work was an important source of *Rerum Novarum*. There is no doubt that Villeneuve had some contact with Ultramontane social thinking: He was associated with Droz and with Charles de Coux in the *Société d’éco-*

*nomie charitable*, and through the latter with Lacordaire, Montalembert and Lammenais both before and after the suppression of *L'Avenir* (Almodovar & Teixeira, p. 68; Faccarello, 2014, pp. 85–90; Misner, 1991a, pp. 35–104). But Villeneuve had no significant following and it was Coux (who became the first Professor of Political Economy in the University of Louvain in 1835) and Coux's successor Charles Périn who sustained a tradition of Christian political economy (“conceived as a weapon against the Protestants”) in the decades before *Rerum Novarum* (Faccarello, 2014, pp. 85–92; Almodovar & Teixeira, pp. 68–9). It is worth noting that Périn, at any rate, understood classical political economy, was opposed to government intervention, favored paternalistic charity, and was highly regarded by Ketteler (Misner, 1991, pp. 448–49).

Paul Misner (1991b, p. 445) has argued convincingly—and in accord with the view taken in this article—that *Rerum Novarum* came from “the great stream of Roman Catholic resistance to nineteenth-century liberalism, both political and economic.” Therefore we should not search for its roots in the “Liberal Catholicism of a Lacordaire or a Montalembert” and their associates—however opposed their own analyses actually were to “liberal” (i.e. classical) political economy. In Misner's judgement (1991b, pp. 446–47) it was the aristocratic *Union de Fribourg*, whose members from Austria, France and Switzerland met secretly in the decade before 1891 and communicated their findings to the Pope, that was the “main funnel” through which economic ideas reached “the Vatican drafters of the encyclical.” These economic ideas, which ignored those of Périn, were deeply hostile to capitalism and strongly favorable to a “corporatism” based on early-modern trade guilds. They were developed in Vienna by Karl von Vogelsang (1818–1890), were absorbed by René de la Tour du Pin who organized the *Union*, and were an elaboration of those of Bishop Wilhelm Emmanuel von Ketteler (1811–1877) of Mainz. Ketteler's *Die Arbeiterfrage und das Christentum* (1864) is a landmark in “Social Catholicism,” and Leo called him “*notre grand prédécesseur*” (Mueller 1984, p. 70).

“The roots of Leo's thought on economic and social justice” lay in the revival of Thomistic philosophy, which he had authorized in *Aeterni Patris* and was pioneered in the 1850s by the Jesuit publication *Civiltà Cattolica* (Misner 1991b, pp. 450–51). Leo seems to have “sought positions like his socially conscious co-pastors Ketteler and [Henry, Cardinal] Manning, rather than endorse any school of social economics” (Misner,

1991b, p. 449). He appointed the octogenarian Jesuit Thomist philosopher, Matteo Liberatore, to prepare the first draft of *Rerum Novarum*. Liberatore had lately written a series of articles in *Civiltà Cattolica* that were a “popularization of economic science in the context of sound moral philosophy” for “the Catholic youth of Italy” (Misner, 1991b, p. 459). His economic doctrines had been developed in the 1850s in collaboration with Taparelli d’Azeglio, and were informed by the belief that “only a Catholic anthropology could inspire an exact political economy.” The most important of his economic ideas for Leo’s encyclical was an explicit rejection of the economic-theoretic concept of labor services as a factor of production traded on the market (Almodovar & Teixeira, pp. 72–74).

## 2 What did *Rerum Novarum* say?

The encyclical was first drafted in Italian by Liberatore and considerably amplified by Cardinal Zigliari. The third draft, written by Cardinal Mazzella, was translated into Latin by Monsignor Allesandro Volpini under Leo’s supervision (Frascella, 2012, pp. 279–81). The published versions of *RN* in Italian, and in the English, Spanish, and Portuguese translations, have corresponding numbered paragraphs; the official Latin text and the French translation do not. All references to *RN* in this article use the paragraph numbers in the English text. Unlike many later encyclicals, the text of *RN* is not otherwise articulated, though it begins with a single sub-heading, “Rights and Duties of Capital and Labor.” But upon inspection it appears to fall into seven fairly distinct parts: Exordium (1–3), Property (4–15), Conflict and Solidarity (16–30), The State (31–42), Wages (43–47), Associations (48–61), and Envoi (62–63)

### 2.1 Exordium

The opening words, *Rerum novarum semel excitata cupidine, quae diu quidem commovet civitates*, paraphrased in English as “the spirit of revolutionary change, which has long been disturbing the nations of the world” (Leo XIII, 1891, 1), immediately establish the context. This is to be another answer to the French Revolution and its baneful consequences over the previous hundred years. We note that the author of the first draft, like Leo himself, was born in Italy in 1810 and lived his life under the shadow of those cataclysmic events. The “utter poverty of the masses” and “prevailing moral degeneracy” (Leo XIII, 1891, 1) now require

the Pope to speak “on the condition of the working classes” (Leo XIII, 1891, 2).

## 2.2 Private Property

“The socialists” seek to exploit the putative misery of the lower orders and “contend that individual possessions should become the common property of all, *to be administered by the State*” (Leo XIII, 1891, 4, my italics). “Socialists” are evidently *bêtes noires* (Leo XIII, 1891, e.g. 4, 5, 14, 17), and this is not new. Leo’s second encyclical, *Quod Apostolici Muneris* (Leo XIII, 1878), is a comprehensive condemnation of “socialists, communists, or nihilists” who “assail the right of property sanctioned by natural law” (Leo XIII, 1878, 1). Anti-socialist themes are to be found in no fewer than thirteen of Leo’s encyclicals that precede *RN*. Some of these seem far-fetched (as in *Diuturnum* (1881) where the German Reformation is blamed) or simply comic (as with St. Francis of Assisi’s role in *Auspicato Concessum* (1882) where socialism is traced to the Albigensian heresy).

There is no awareness in any of this of what “socialism” had come to mean by the 1890s: a program for state control of the production and distribution of goods and services, in the belief that this would be more efficient than the unplanned outcomes of free markets. What concerned Leo was “the regulation of all ecclesiastical property, starting from the principle that its ownership belongs to the State, and its administration to the civil power” (Leo XIII, 1890, 6). There were many flagrant violations of the church’s property rights in Italy, France, Germany, Austria, and elsewhere during the last third of the nineteenth century (Hales 1958, chapters 9, 11, 19). Few if any were executed by socialists, but socialists invariably advocated and applauded them. It was necessary to identify and denounce the theory which appeared to justify these expropriations.

The property rights theory of *RN* (Leo XIII, 1891, 4–15) is a conflation of two radically incompatible elements: a traditional, Thomistic theory derived from human rationality, and a pseudo-Lockean version derived from a labor theory of appropriation (Waterman, 2004b):

St Thomas denied that *individuals* have a natural right to property and followed St Augustine in attributing to the *state* the right and duty to assign property rights to individuals by human positive law. Useful as Thomism was for Leo in general, therefore, it was

wholly unserviceable in defending private property against the temporal power. It was, therefore, necessary to elide that part of St. Thomas's doctrine which would embarrass the ideological defense of the papacy and supplement the remainder with a bowdlerized version of Locke. Thus, right of "outright possession" is acquired "when man . . . turned the activity of his mind and the strength of his body towards procuring the fruits of nature," for "by such an act he makes his own that portion of nature's field which he cultivates"; it is not just, therefore, that "the fruits of a man's own sweat and labor should be possessed and enjoyed by anyone else" (Leo XIII, 1891, 9, 10). From this, the encyclical can proceed to the required conclusion, not to be found in Thomas, that the natural right of individuals to own property renders it beyond the competence of the state to abolish private property rights. (Waterman, 2004c, pp. 191–92)

### 2.3 Conflict and Solidarity

Inequality is "a necessary result of unequal condition" and is far "from being disadvantageous either to individuals or to the community," for "each man, as a rule, chooses the part which suits his own peculiar domestic condition" (Leo XIII, 1891, 17). Since because of Original Sin all must "suffer and endure," we must not seek illusory political remedies but must "look upon the world as it really is, and at the same time . . . seek elsewhere" (Leo XIII, 1891, 18). In particular, it is a mistake to think that "class is naturally hostile to class." For "just as the symmetry of the human frame is the result of the suitable arrangement of the different parts of the body, so in a State is it ordained by nature that these two classes should dwell in harmony and agreement, so as to maintain the balance of *the body politic*" (Leo XIII, 1891, 19, my italics). Leo here makes explicit the Early-Modern "organicist" conception of human society which underlaid and rationalized papal rejection of "liberalism" down to the 1970s and later (Waterman, 2004d).

In the body politic "the obligations of justice" draw together "the rich and the working class" in reciprocal duty: of "the proletarian" to do his work properly, to respect the person and property of his employer, and to abstain from violence, riot, and disorder; and of the employer "to respect in every man his dignity as a person ennobled by Christian character." Employers must see that "the worker has time for his religious

duties” and is not “exposed to corrupting influences” or “led away to neglect his home and family.” They must not overwork people or give them tasks unsuitable to their age or sex. Above all they must pay fair wages, and resist the temptation to exploit workers’ weak bargaining power by “cutting down the workmen’s earnings, whether by force, by fraud, or by usurious dealing” (Leo XIII, 1891, 19, 20).

“But the Church, with Jesus Christ as her Master and Guide, aims higher still.” Our understanding of what is right and good depends on our faith in the world to come. Only when we have given up this present life “shall we really begin to live” (Leo XIII, 1891, 21). So it makes little difference in the end whether we are rich or poor. “Riches do not bring freedom from sorrow and are of no avail for eternal happiness, but rather are obstacles.” And although “private ownership . . . is the natural right of man,” private possessions must be used rightly. The rich have a Christian duty of charity (Leo XIII, 1891, 22). The poor must understand that “poverty is no disgrace” (Leo XIII, 1891, 23). Thus “if Christian precepts prevail, the respective classes will not only be united in the bonds of friendship, but also in those of brotherly love” (Leo XIII, 1891, 25).

It follows that “if human society is to be healed now, in no other way can it be healed save by a return to Christian life and Christian institutions” (Leo XIII, 1891, 27). In a reassuring passage that recalls Chalmers (Waterman, 1991, pp. 233–35) we read that “Christian morality, when adequately and completely practiced, leads of itself to temporal prosperity” (Leo XIII, 1891, 28). Ancient endowments for charitable purposes, “the patrimony which the Church has guarded with religious care,” are “the inheritance of the poor” (Leo XIII, 1891, 30).

## 2.4 The State

What part should the State play “in the work of remedy and relief”? By “the State” in this context, Leo means “the rulers of the State” (Leo XIII, 1891, 32). It is “the province of the commonwealth to serve the common good.” And “the more that is done for the benefit of the working classes by the *general* laws of the country, the less need will there be to seek for *special* means to relieve them” (Leo XIII, 1891, 32, my italics). Thus “distributive justice” is first “among the many and grave duties of rulers” (Leo XIII, 1891, 33). “There will ever be differences and inequalities of condition in the State”; but since “it is only by the labor of working men that States grow rich” justice demands that “the interests of the working

classes should be carefully watched over by the administration” so that “they who contribute so largely to the advantage of the community may themselves share in the benefits which they create” (Leo XIII, 1891, 34). Though Adam Smith relied upon market outcomes to achieve this result, the encyclical here unknowingly echoes a famous passage in *Wealth of Nations*: “It is but equity . . . that those who feed, cloath and lodge the whole body of the people should . . . be themselves tolerably well fed, cloathed and lodged” (Smith, 1776/1976, I.viii.36).

“The safety of the commonwealth is . . . a government’s whole reason of existence” (Leo XIII, 1891, 35). Subsequently—more Smithian (and Marxian) than Hobbesian—this becomes “the duty of safeguarding private property” (Leo XIII, 1891, 38) and “to protect everyone in the possession of his own” (Leo XIII, 1891, 37). Therefore “where the passion of greed is . . . strong” government must “keep the populace within the line of duty.” The “authority of the law” must restrain revolutionary agitators, “to save the working classes from being led astray by their maneuvers, and to protect lawful owners from spoliation” (Leo XIII, 1891, 38). And since when employees strike “violence and disorder are generally not far distant,” the “laws should forestall and prevent such troubles from arising” (Leo XIII, 1891, 39).

But “the working man, too, has interests” which must be protected by the State, the first being “the interests of his soul” (Leo XIII, 1891, 40). On Sundays there must be “rest from labor, hallowed by religion” (Leo XIII, 1891, 41). Hours of work should be so regulated as to be commensurate with “the health and strength of the workman”; miners should work shorter hours; women and children should be protected from unsuitable employment; and in all work “there should be allowed proper rest for soul and body” (Leo XIII, 1891, 42).

## 2.5 Wages

Should the State regulate wages though they be determined by “free agreements” between master and man? “There underlies a dictate of natural justice more imperious and ancient than any bargain between man and man, namely, that wages ought not to be insufficient to support a frugal and well-behaved wage-earner” (Leo XIII, 1891, 45). “If a workman’s wages be sufficient to enable him comfortably to support himself, his wife, and his children, he will find it easy, if he be a sensible man, to practice thrift,” and by his savings to acquire property of his own,

“a share in the land” (Leo XIII, 1891, 47), “and thus secure a modest source of income.” So this, we now see, is the reason why “the great labor question” cannot be solved “save by assuming as a principle that private ownership must be held sacred and inviolable” (Leo XIII, 1891, 46). “Many excellent results will follow from this.” Civil unrest will be less likely; “men always work harder and more readily when they work on that which belongs to them”; “men would cling to the country in which they were born” (Leo XIII, 1891, 47); and the State is required merely to adjudicate hours and conditions of work—and even these only indirectly (Leo XIII, 1891, 45)—but not the rate of wages.

## 2.6 Associations

It is “a general and lasting law that working men’s associations should be so organized and governed as to furnish the best and most suitable means for . . . helping each individual member to better his condition to the utmost in body, soul, and property.” In this “they must pay special and chief attention to the duties of religion and morality” (Leo XIII, 1891, 57). Mention is made earlier in this section (Leo XIII, 1891, 49, 54) of “workingmen’s unions,” and the authority of St. Thomas is invoked in support of the “natural right” of individuals to enter into such “private societies . . . within the body politic” (Leo XIII, 1891, 51). But although “the condition of the working classes is the pressing question of the hour” (Leo XIII, 1891, 60), any suggestion that such unions might use their collective bargaining power to improve wages is scrupulously avoided. The Pope and his drafting committee preferred to regard labor unions as a particular case of the “private society” to be subsumed under a venerable and more general conception of “associations” in trade, including “confraternities, societies and religious orders” (Leo XIII, 1891, 53) and “artificers’ guilds of olden times” which brought “workmen and employers together” (Leo XIII, 1891, 49). “Catholic associations” are preferred (Leo XIII, 1891, 58–61), and commended for “inculcating self-restraint” which “keeps men within the bounds of moderation, and tends to establish harmony among the divergent interests and the various classes which compose the body politic” (Leo XIII, 1891, 55).

## 2.7 Envoi

“Everyone should put his hand to the work which falls to his share . . . masters and wealthy owners must be mindful of their duty; the working

class, whose interests are at stake, should make every lawful and proper effort . . . all men should rest persuaded that the main thing needful is to re-establish Christian morals” (Leo XIII, 1891, 62). The “happy results we all long for must be chiefly brought about by the plenteous outpouring of charity” (Leo XIII, 1891, 63).

### 3. Discussion: *Rerum Novarum* and Economic Thought

There is little if anything in *RN* that might count as “economic thought” in the sense I have specified above. In view of the fact that what we now recognize as modern economics had developed rapidly over the two preceding centuries and had lately been codified by Alfred Marshall (1890), it is necessary to understand why this absence should have been. And given that the encyclical purports to deal with economic issues, the historian must explain why it was regarded at the time—and continues to be regarded—as very important.

#### 3.1 Is there any “economic thought” at all in *Rerum Novarum*?

The title “*Rerum Novarum*” is followed by the words, “Encyclical of Pope Leo XIII on *Capital and Labor*” (my italics). These familiar abstractions of classical and Marxian political economy further appear in (2) as seemingly synonymous with “rich” and “poor,” and in (19) to stand for “the wealthy” and “the working men.” We read that “capital cannot do without labor, nor labor without capital” (Leo XIII, 1891, 19), which classical economists understood well. For to them “capital” signified the advance wages which workers need to keep them alive until the end of the production period, together with the tools and equipment without which they cannot work. When the production period is non-zero (which is virtually always the case) neither of these “factors of production” can produce anything by itself; and they usually need a third factor, “land,” as well. There is, of course, no reason why both factors (or all three) should not be provided by a single person: e.g. the land-owning peasant-farmer envisaged by Leo in (47). There can be no class conflict in this case.

Deceptively similar terminology masks a profound difference of perception here. In *political economy* capital and labor are mutually necessary for the production of anything. But insofar as these are the property, respectively, of two different classes of society, their economic interests are opposed. For the income of each factor-owner comes from sale of

the joint product, which has to be divided between the two (Samuelson, 1978). A bigger share for capitalists means a smaller share for workers and vice versa. This analysis is purely positive. But the encyclical takes no analytical interest in production. In *papal doctrine* a mutual need of “capital” and “labor” exists because these are simply labels for social classes, and because “in a State it is ordained by nature that these two classes should dwell in harmony and agreement, so as to maintain the balance of the body politic” (Leo XIII, 1891, 19). The analysis is purely normative, since we have it in our power to ignore what is “ordained by nature.”

Deceptively similar terminology also masks the treatment of wages. The wage-rate is indeed determined in a bargain between employer and worker (Leo XIII, 1891, 43, 45), but unless this is a living wage there is injustice. Underlying this is the conviction of Taparelli and Liberatore that “labor should no longer be considered as a mere commodity to be bought and sold in the market” (Almodovar & Teixeira, p.74), a doctrine restated by Pope John-Paul II ninety years later in a powerful attack on “*materialistic and economistic thought*” (John Paul II, 1981, 7). Economists then and now conceptualize productive services as the property of the factor owner, to be sold on the market at the best price. If factor markets are free and competitive then equilibrium prices function as signals. The productive resources of society are allocated—through the self-interest of individuals and not by “the rulers of the State”—so as to maximize total output. If a farm-worker in Campania is offered less than a “living wage” he will move to Turin and get a well-paid job in a factory. But if “natural justice” requires that he be paid a living wage in Campania and he stays at home, Italy as a whole will be poorer. There is, to be sure, a normative element in “economistic thought” here: *it is better to be rich than poor*. Given only the value premise, the analysis is positive.

The encyclical meets that value premise head on. “Riches do not bring freedom from sorrow and are of no avail for eternal happiness, but rather are obstacles” (Leo XIII, 1891, 22). *Sub specie aeternitatis*, which—not inappropriately—is the point of view frequently adopted in papal teaching, there is simply no point in “materialistic and economistic thought.” Whether or not it be scientifically valid to employ methodological individualism in studying “the nature and causes of the wealth of nations,” and whether by applying our findings we can enrich society, is irrelevant. If we have riches, “the only important thing is to use them

aright” (Leo XIII, 1891, 21). If we do not, then “to suffer and to endure . . . is the lot of humanity” (Leo XIII, 1891, 18). *Rerum Novarum* has no need of disinterested, analytic “economic thought.”

### 3.2 Why the ban on analytical “economic thought”?

Yet all of us must wish to improve “the condition of the working classes.” Notwithstanding its warning against the illusory benefits of “riches,” the encyclical itself commends “public well-being and private prosperity” (Leo XIII, 1891, 32). Even Mr. Gradgrind would probably like Bounderby’s hands to earn a living wage (if possible). Economists have a lot to offer in these matters. Why did Leo and his advisors ignore them? We must go back to the isolation of Roman Catholic thinkers in the eighteenth century. What follows is summarized from a recent article (Waterman, 2013, pp. 34–38).

Pierre de Boisguilbert (1646–1714) originated the theory of the self-regulating market economy in light of the Augustinian theodicy of his two famous Jansenist teachers at Port Royale, Pierre Nicole and Jean Domat. They had noted that individuals will perform good acts—for example, feed and lodge travelers, even “build an entire house for another man, furnish it, carpet it and hand him the key”—not out of charity but from “cupidity.” The market economy is thus an Augustinian *remedium peccatorum*, harnessing “so evil a passion as our self-love” to the common good (Faccarello, 1999). Boisguilbert explained how under Providence, the unintended consequence of the competition of agents, each motivated by self-love in response to incentives created by market prices, produces a state of “harmony” or “equilibrium.”

Boisguilbert’s ideas passed to England via Bernard Mandeville’s notorious parody, *Private Vices, Publick Benefits* (1714–28/1988); and it fell to Joseph Butler to make them acceptable to Christian sensibilities in his profoundly influential *Rolls Sermons* (1726/1969). Rightly understood, self-love is not an “evil passion” or a “private vice”; it is a duty commanded by Christ. Popularized by his chaplain, Josiah Tucker (1713–1799) in *Elements of Commerce* (1755/1993), Bishop Butler’s exposition passed into the main stream of Scotch and English social thought in the eighteenth century. God intended that “private Interest should coincide with public, self with social, and the present with future Happiness” (Tucker, 1755/1993, p. 48). Therefore

let the Legislature but take Care not to make *bad Laws*, and then as to *good ones*, they will make themselves: That is, the Self-Love and Self-Interest of each Individual will prompt him to seek such Ways of Gain, Trades and Occupations of Life, as by serving himself, will promote the public Welfare at the same Time. (Tucker, 1755/1993, p. 48)

This was to become the central message of *Wealth of Nations* two decades later.

For four reasons these potent ideas were unavailable to Leo and his drafting committee in 1891. In the first place, as I have attempted to explain in Part 1 above, the peculiar character of the French Enlightenment rendered all novelty, including “enlightenment” itself, unwelcome to the papacy in the eighteenth century. Ultramontane ideology in the next century made intellectual isolation permanent. Because Britain was a Protestant nation it could safely be ignored. There was no awareness in Rome that the decisive theological work had already been done to demonstrate that the new economic ideas of competitive individualism and spontaneous order are consistent with traditional Christianity.

Secondly, the ultimately Jansenist provenance of these ideas, had that been known, would perhaps have ruled them out. Though the original doctrines of Cornelius Jansen had been condemned by Innocent X in 1653, the movement they inspired survived in the Gallican Church for nearly a hundred years (Duffy, 2006, pp. 258–60). Since the Jesuits had been among the Jansenists’ worst enemies and vice versa, Leo’s Jesuit advisors would only have been confirmed in their distaste for Anglo-phone political economy had they realized that Nicole and Domat were at the bottom of it.

Thirdly, perhaps because the doctrine of Original Sin had been over-emphasized by the Jansenists, it was allowed no place in social doctrine in 1891. To be sure it gets a walk-on part in *RN* (Leo XIII, 1891, 18) where it accounts for human suffering. But there is no understanding that human *self-interest*, conceived as a consequence of sin, may be recruited to provide incentives to right conduct. Exhortation alone is judged to be sufficient. The reciprocal duties of “proletarians” and “wealthy owners” are strongly asserted (Leo XIII, 1891, 20–25); “the rich must religiously refrain from cutting down the workmen’s earnings” (Leo XIII, 1891, 20, etc.). But the only way to achieve these desirable outcomes, it would

seem, is by “Christian precepts” of “the Church,” which “does her utmost to teach and to train men” (Leo XIII, 1891, 25, 26). This is clearly not good enough. Some fifty years later a famous Archbishop of Canterbury was to declare that “the art of government is . . . the art of so ordering life that self-interest prompts what justice demands” (Temple, 1942/1950, p. 65). Despite his unkind remarks about “economistic thought” in 1981, ten years later Pope John-Paul II became the first pontiff to grasp this fundamental point:

Because of “the wound of original sin . . . Man tends towards good, but he is also capable of evil . . . The social order will be all the more stable, the more it takes this fact into account and does not place in opposition personal interest and the interests of society as a whole, but rather seeks ways to bring them into fruitful harmony. (John Paul II, 1991, 25)

The market economy is a powerful instrument for bringing “personal interest” and “the interest of society as a whole” into “fruitful harmony.” But this was invisible to Leo and his advisers in 1891.

Lastly and most importantly, the Christian organicism that the encyclical takes for granted created an impenetrable barrier against modern social theory. Adam Ferguson, Adam Smith, John Millar, and their associates in the Scottish Enlightenment had come to see human societies not as *bodies* but rather as quasi-biological *habitats*, in which what J. S. Mill (1874) later called a “spontaneous order of nature” emerges as the unintended outcome of a myriad of private, self-regarding acts of individuals. The “greed of unchecked competition” (3), in which individual, self-regarding transactions are coordinated by market prices for goods and services, is a paradigm. This individualistic and utterly “liberal” conception of human society is precisely what Leo had contradicted in *Libertas*:

The eternal law of God is the sole standard and rule of human liberty, not only in each individual man, but also in the community and society which men constitute when united. Therefore the true liberty of human society does not consist in every man’s doing as he pleases, for this would simply end in turmoil and confusion and bring on the overthrow of the State. . . . (10)

Classical political economy, and modern economics which grew out of it,

study the economic consequences of “every man’s doing as he pleases.” Though in times of crisis this can indeed “end in turmoil and confusion,” such outcomes are happily rare and short-lived, and almost never “bring on the overthrow of the State.” Spontaneous order is generally the rule since human societies, like biological habitats, are self-regulating, stable-equilibrium systems. They would not exist if this were not the case.

### 3.3 The perennial importance of *Rerum Novarum*

Who can doubt that

a State chiefly prospers and thrives through moral rule, well-regulated family life, respect for religion and justice, the moderation and fair imposing of public taxes, the progress of the arts and of trade, the abundant yield of the land—through everything, in fact, which makes the citizens better and happier? (Leo XIII, 1891, 32)

The encyclical is full of good sense like this and a fair-minded reader finds much to applaud. Of course “wages ought not to be insufficient to support a frugal and well-behaved wage-earner” (Leo XIII, 1891, 45); of course no one should “tax his work people beyond their strength, or employ them in work unsuited to their sex and age” (Leo XIII, 1891, 20). The concurrence of these maxims with enlightened opinion in Europe and America ensured a generally favorable reception, and not only among Roman Catholics. But this cannot explain the totemic status it now enjoys. What other possible causes may there be? The consequences of *Rerum Novarum* are more important, I think, than its content.

In the first place the encyclical ratified at the highest level the social and political concerns of leading Roman Catholics in the industrialized countries: eminent prelates such as Ketteler (Mainz), Manning (Westminster, who had mediated the London dock strike of 1889), and Cardinal James Gibbons (Baltimore, who defended the Knights of Labor from papal censure); the *Union de Fribourg*; and lay philanthropists such as Léon Harmel in France (Misner, 1991, pp. 447–48). Encouragement was given to “Catholic” or “Christian” political parties in many European and Latin American countries, and “Catholic” or sometimes “Christian” labor unions came into existence from the late 1890s.

Of more intellectual interest, perhaps, *RN* gave rise to what appeared for a time to be a new discipline of “social economics.” This was lucid-

ly distinguished from political economy by one of its founders, Charles Antoine, S.J. (1847–1921): “The laws of social economics are not, as the classic school would like, about *what is*, but instead about *what ought to be*, meaning what is in agreement with the natural order of things” (Antoine, 1896/1921, II, pp. 78–79). The *Rivista internazionale di scienze sociali* was established in Padua in 1893 by the (Italian) Catholic Union for Social Studies. The *Semaines Sociale de France* first appeared in Lyon in 1904. Somewhat belatedly in the USA, the Catholic Economic Association and its journal, the *Review of Social Economy*, began in 1942. All these associations and others like them promoted the study of social questions in light of “the natural order of things.” Almodovar and Teixeira (2008) have chronicled “The Ascent and Decline of Catholic Economic Thought” down to the 1950s, when “social economics” ran into the sand. By then it had become clear—e.g., Calvez and Perrin (1959)—that “the social doctrine of the church was essentially a statement about the implications of religious belief, not an economic doctrine” (Almodovar & Teixeira, 2008, p. 84). “Catholic economics” eventually foundered, therefore, because Antoine’s program was discovered to be futile. It is impossible to prescribe *what ought to be* without expert knowledge of *what is* and how it got to be that way.

This was clearly realized in two remarkable contributions by Jesuit scholars, Maurice Potron (1872–1942) and Bernard Lonergan (1904–1984). Potron was an engineer and mathematician “who had no education in economics and almost no contact with the economists of his time” (Bidard & Erreygers, 2010, p. 1). Inspired by *Rerum Novarum*, he constructed an economic model to study “the existence of quantities and values compatible with a specified set of rights and principles of justice” (Bidard & Erreygers, 2010, p. 33). He was “the first author to develop a full input-output model, to use the Perron-Frobenius theorem in economics, to state a duality result, and to formulate the Hawkins-Simon condition” (Bidard & Erreygers, 2010, pp. 1). The Bidard and Erreygers edition of his work appeared with a foreword by Paul Samuelson, written in the last month of his life. Lonergan, pre-eminent philosopher, theologian and polymath, took external London degrees in mathematics (and classics!) while studying philosophy at Heythrop College, and like many others became interested in macroeconomics during the great depression. He subsequently lectured in macroeconomics. Like Potron he sought ways of implementing papal social doctrine through theory

“that reveals how moral precepts have both a basis in economic process and so an effective application to it” (Lonergan as cited in Morelli & Morelli, 1997, p. 575). His posthumously published *Macroeconomic Dynamics* (1999) and *For a New Political Economy* (1998) reach the highest contemporary standards of technical virtuosity. It is an instructive irony that *Rerum Novarum*, with its lofty contempt for analytical economic thought, should have given rise to these brilliant achievements.

Of more permanent importance than any of this, however, is the fact that *Rerum Novarum* did indeed break new ground in Christian self-understanding. By the middle of the nineteenth century, it was evident that “the world” — or at any rate the world of urban, industrialized, and secular Europe and America — was an entirely new social phenomenon. Meanwhile “the Church” — meaning in this case the Church of Rome — was no longer embedded in society as it had been before the Reformation; and its post-Napoleonic, Ultramontane identity had fostered a conceptually detached and critical view of society, which was of itself not unrelated to that of the newly emerging social sciences. It was essential for Christians to rethink the relation between “Church” and “Society.” Only the Bishop of Rome could plausibly claim to speak for all Christians. In the excusably flattering words of the *Compendium of the Social Doctrine of the Church* (2004):

With this courageous and farsighted text, Pope Leo XIII “gave the Church ‘citizenship status’ as it were, amid the changing realities of public life” (147) and made an “incisive statement” (148) which became “a permanent element of the Church’s social teaching.” (149) (*Compendium*, 90).

We can at any rate agree that “*Rerum Novarum* became the document inspiring Christian activity in the social sphere and the point of reference for this activity” (*Compendium*, 89).

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