

An Economics of Justice & Charity: Catholic Social Teaching, Its Development and Contemporary Relevance

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This book surveys papal letters (i.e., encyclicals) to aid in the discussion of economic questions around justice, charity, work, wages, class conflict, economic systems, and usury, among others. The book is organized in three main parts. Chapters 1 through 6 discuss papal encyclicals. Chapter 7 discusses the authority of the Church's social teaching and the appendices discuss flashpoint topics, including usury.

Chapter 1 – “From the Beginnings through Leo XIII” – sets the stage for the Catholic perspective on topics of economic systems (broadly) and capital and labor (narrowly). The encyclical of Leo XIII is used to show that while capitalism had necessitated a class system of owners of capital and sellers of labor, the church did not believe that socialism as an economic system was viable. In fact, Leo XIII notes that under socialism, “the working man himself would be among the first to suffer” (*Rerum Novarum*, 1891, no. 4). This did not, however, imply an approval of capitalism as foolproof but rather a recognition that individual endowments and effort towards industry and creativity should be recognized and rewarded as such. Additionally, there is an effort to show that for wages in the capitalist system to be just, it must afford the seller of that labor, the opportunity to live off that wage.

Chapter 2 – “From Pius X through Pius XI” – builds on Leo XIII's *Rerum Novarum* with the *Quadragesimo Anno* (1931). This encyclical focuses on the social order and its ills in particular in the aftermath of the First World War I (1914-1918). Key subjects discussed and supported include the right to organize labor, the importance of private property ownership, a reaffirmation of the living wage highlighted in Leo XIII's *Rerum Novarum*, the reforming of institutions and the correction of morals (which in Pius's perspective were corrupted), and the incongruence of socialism with Catholicism. On the last point, and similar to the *Rerum Novarum*, Pius XI notes that the incongruence of socialism with Catholicism is not an endorsement of capitalism as a just system. He notes that to truly resolve the ills of capitalism, social justice and Christian love must be integrated into the socio-economic order.

Chapter 3 – “From Pius XII to Paul VI” – focuses on the works of Pius XII and Paul VI during and post- Second World War. Pius XII, like his predecessors, was a strong believer that the church had a role in the socio-economic order. He believed that confining the church’s views to only matters of religion was a mistake. A big focus of this chapter is on development economics or *progresio* as Paul VI calls it in his *Populorum Progresio* (1967). Paul VI notes what most development economist believe, which is that “development cannot be limited to mere economic growth. In order to be authentic, it must be complete: integral, that is, it has to promote the good of every man and of the whole man” (*Populorum Progresio*, no.14). In this regard, Paul VI had a similar concern and focus as Pius XI on the whole person and their development in a system that promotes competition and profits. Finally, an important point raised in this chapter is the need to develop justice, charity, and social awareness to cure the ills (for example, inequality, and disproportionate debt burdens of poor countries, etc.) of the capitalist system. The church, according to this chapter, should have an active role in developing justice, charity, and relief in an unjust or sick world.

Chapters 4 and 5 focus on the works of Pope John Paul II in *Laborem Exercens* (1981), *Sollicitudo Rei Socialis* (1987), and *Centesimus Annus* (1991). *Laborem Exercens* summarizes John Paul II’s views on human work and economic systems. His focus on “work” draws from his perspective that we are called to work with God’s creation to enhance human flourishing. Human work in his mind allows humans to share in the creativity of God as referenced in Colossians 3:23-24 – “whatever your task, work heartily, as serving the lord and not men, knowing that from the Lord you will receive the inheritance as your reward.”

On economic systems, John Paul is consistent with prior papal encyclicals in asserting that private property, competition, and the capitalist economic system are superior to the collectivism posited by Marxian theorists. *Sollicitudo Rei Socialis* is a text developed in honor of Paul VI’s *Populorum Progresio*. The entirety of the encyclical is an ex-post reflection on the progress made by the world and the church on the development aspirations that Paul VI laid out in his *Populorum Progresio*. John Paul also takes the opportunity to denounce communism with his assertion that suppression of economic freedoms and rights is damaging to development prospects in the poorest parts of the world. Finally, the *Centesimus Annus* is a commemorative document to celebrate and

revisit the key themes of the *Rerum Novarum*. John Paul II, as the book points out, is keen on reiterating the message that we need to continuously care for each other, workers, the work they do, and our place in this world in the light of God's promise that all things will be renewed in Christ (Eph. 1:10). The last sentence of Chapter 4 summarizes this well when it notes: "when we take part in the work of true development, we are aiding in that renewal, and making the world a more worthy offering to the Sacred Heart of our Redeemer" (Storck, 2017, p.62).

Chapter 6 – "Benedict XVI and Francis" – summarizes the work of Popes Benedict XVI and Francis. Benedict XVI's *Caritas in Veritate* (2009) is the main document discussed. This document continues the themes of human work, development, and communism/collectivism versus capitalism already discussed in prior encyclicals. Two notable differences in focus are on the current economic difficulties (i.e., Great Recession) and the concept of charity. The focus on the Great Recession is understandable since that was the prevailing challenge facing the world at the time. The focus on charity is a departure from prior encyclicals, which focused broadly on justice, and human progress. Benedict XVI's perspective on charity is worthy of note:

*Charity goes beyond justice, because to love is to give, to offer what is 'mine' to the other; but it never lacks justice, which prompts us to give the other what is 'his', what is due to him by reason of his being or his acting. I cannot 'give' what is mine to the other, without first giving him what pertains to him in justice. If we love others with charity, then first of all we are just towards them. Not only is justice not extraneous to charity ... justice is inseparable from charity and intrinsic to it. (*Caritas in Veritate*, 2009, no.6)*

Chapter 7 – "The Authority of the Church's Social Teaching" – seeks to validate the legitimacy of the church with regards to its social teachings. Storck (2017, p. 102) suggests that five key facts highlighted by several papal encyclicals possess infallibility since they are part of the ordinary dealings of the church. These are: (i) the necessity for cooperation in economic affairs and the inadequacy of free competition as a general regulating principle for an economy; (ii) the duty in commutative justice to pay a just or living wage and hence the duty in social justice to organize the economy so that this duty can be fulfilled; (iii) the

principle of subsidiarity; (iv) the right of private property alongside the social duties of property; and (v) the illicitness of usury. Storck (2017) further argues that reducing the papal encyclicals to simple phrases such as “help the poor” or “be just” would be a grave error since the papal encyclicals go deeper into a variety of topics, as shown in this review and the book.

The appendices of this book are fascinating in the topics they touch on. One such topic that is bound to fascinate any reader is usury. To this Christian non-Catholic economist, the book offered a clear and historically grounded perspective on the subject. Readers will learn that the church and pagan authors (e.g., Plato, Aristotle, Aristophanes, and Seneca) alike have resoundingly condemned usury. The reader will also learn that *mutuum* grounded in Roman law forms the basis of usury. *Mutuum* has two defining characteristics: (i) first, that the actual good loaned was not returned but rather considered consumed in some manner by the borrower; and (ii) second, that the borrower was considered to be the owner of the borrowed goods for all practical purposes (Storck, 2017, p. 107). This, as Storck notes, is different from a loan for a car or house that can be physically returned. The reader also learns about three other important historical points on usury – *lucrum cessans*, *damnum emergens*, and *montes pietatis*. The first two concepts are the opposite sides of the same coin. *Lucrum cessans* refers to the profit that someone might have made with his money had he not instead made a loan of *mutuum*, and *damnum emergens* refers to the damage or loss that a lender suffers or might suffer because he did not have access to his money for the duration of the loan. Both concepts speak to an opportunity cost of money or a reward that is needed to make the lender whole for parting with liquidity. The challenge of usury, of course, is the extent and magnitude of that reward. The discussion of *montes pietatis* was fascinating given its modern day parallels. *Montes pietatis* refers to institutions with government or church sponsorship that made low interest loans. The goal of these institutions was to help individuals avoid usurers; however, their existence raised questions of whether or not the interest they charged was licit or illicit per *mutuum*. While Storck (2017) characterized *montes pietatis* entities as akin to pawn shops, one cannot help but notice the modern corollary to credit unions. Finally, the book poses the question of whether or not there was a change in the church’s teaching on usury. In short, there has been no change in the church’s

position but the real change has been in the application of the doctrine to economic life. Overall, on the question of usury, the book contends that Catholicism has demonstrated a strong condemnation of it and, as a consequence, loan sharking and other exploitative financial behaviors are and should be strongly frowned upon. There is a strong recommendation that Christians be in support of financial institutions such as credit unions since their rates of interest are modest relative to commercial banks. This recommendation is not to suggest that the interest rates from credit unions are free from usury but, rather, that they are less likely to be exploitative.

Overall, this book is useful especially in the ways in which it leverages historical documents to discuss important economic questions. I believe that any Christian economists who strive to integrate faith into their courses will find this book particularly applicable for the topics of economic systems, inequality, work, and the role of interest rates. I for one, plan to use various parts of this book in my macroeconomics courses and encourage other Christian economists to do likewise. ■