

***Caritas in Veritate*: Pope Benedict's Two Cheers for Globalization**

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Caritas in Veritate (Benedict XVI, 2009) is the third encyclical of Pope Benedict XVI and the first which deals with social and economic issues. It was published in June 2009 and was written against the background of the financial crisis of 2008 which rocked the global economy, and from which we are still suffering. However, work on it started well before the crisis, so that it is also a reflection on the process of globalization which took place in the three decades preceding the financial crisis, and which produced a period of unprecedented prosperity in the global economy.

The encyclical is the work of a theologian, a philosopher, and a pastor, not of someone trained in the social sciences, particularly economics. It is comprehensive in its coverage: it speaks to the financial crisis, financial markets, global poverty, the market economy, the ideologies of our time, the nature of business enterprise, economic justice, the environment, and globalization. It deals with the role of religion in the public square, the place of subsidiarity, solidarity, and the common good. It touches on issues such as migration, bioethics, international tourism, and global governance. Despite the immense scope of its coverage, it is not superficial. The thread which runs through it and holds it together is its theology.

Like Pope Benedict's other encyclicals, it is indisputably Christo-centric. Its opening sentence is that truth-filled love, *caritas in veritate*, is evidenced supremely in the earthly life, death, and resurrection of Jesus Christ. Its conclusion is that despite the enormous problems we face in our world, without God, man neither knows which way to go or even who he is. The basis for this claim are the words of Jesus himself: "Apart from me you can do nothing" (John 15:5). Throughout the encyclical we return to the same theme. In promoting human development the Christian faith is not dependent on privilege or power, "but only on Christ, to whom every authentic vocation to integral human development must be directed. The Gospel is fundamental to development because in the Gospel, Christ 'in the very revelation of the mystery of Father and his love, fully reveals humanity to itself'" (para. 18). The social doctrine of the church "points definitively to" the New Man, to the last Adam (who) became a life-giving spirit" (para. 12; 1 Cor. 13:8). Its final paragraph (para. 79) sums up the challenge: "Development needs Christians with their arms raised towards God in prayer, Christians moved by the knowledge that truth-filled love,

caritas in veritate, from which authentic development proceeds, is not produced by us, but given to us.” One only realizes the spiritual depth of the encyclical as it is read meditatively, and only then after a number of readings.

The Encyclical sets itself the task to work out how a Christian world-view relates to a world which is “becoming progressively and pervasively globalized” (para. 9). It describes globalization as “the explosion of worldwide interdependence,” which since the time of Pope Paul VI’s encyclical *Populorum Progressio* 1967 (Paul VI, 1967) has proceeded at a “ferocious pace” (para. 33). It recognizes that it is a “multifaceted and complex phenomenon” (para. 42) and acknowledges its positive achievements. It states that economic growth has lifted billions of people out of poverty and has enabled many countries to become effective players in international politics, the best example of which is the decision by the G-8 group of rich countries to increase their number to G-20 and so include China, Brazil, India, Nigeria, and others in their deliberations. At the same time it also highlights the problems posed by globalization: the damaging effect of the financial crisis on the real economy, the disruptive impact of large scale migration of peoples, and the “unregulated exploitation of the earth’s resources” (para. 21).

Benedict XVI quotes with approval the opinion of John Paul II that “globalization is *a priori* neither good nor bad. It will be what people make of it” (para. 42). As a result it would be a mistake to oppose it blindly and not recognize the “positive aspects of the process.” The process of globalization, suitably understood and directed, opens up the unprecedented possibility of large-scale redistribution of wealth on a worldwide scale (para. 42). If it is not properly managed, it could produce greater poverty and inequality and trigger a global crisis. Until now the rewards of globalization have benefited developed countries more than developing countries. Taken as a whole, the encyclical offers two but not three cheers for globalization.

In order to understand this in greater depth it is worth examining some misgivings the encyclical has with globalization.

The Strengths and Limits of “The Market”

First, because globalization is based on the extension of the market economy within national economies and between countries, it challenges the conception of “the market” as something autonomous, impersonal, and amoral.

Immediately after the encyclical was published, journalists and commentators rushed to discover those passages of the encyclical which dealt with economic issues, and what they had to say in particular about the financial crisis and the market economy. Inevitably they compared the views of *Caritas in Veritate* with John Paul II’s magisterial work *Cen-*

tesimus Annus (John Paul II, 1991), which reflected on the contrast between the collapse of communist economies and the success of capitalist economies in the second half of the twentieth century. *Centesimus Annus* was more favorable to the market economy than previous encyclicals. It praised the role of enterprise and the freedom of entrepreneurs, which it grounded in a Christian understanding of the human person. Communism had a defective view of the human person, while democratic capitalism allowed individuals to flourish as creative, responsible, and accountable persons.

Caritas in Veritate does not enthuse about the market and enterprise in the way *Centesimus Annus* did. Indeed, given the financial crisis it would have been virtually impossible for Pope Benedict to have done so. Nevertheless, the encyclical makes it clear that a market economy has legitimacy. Transactions are legal contracts which allow people to satisfy their needs and wants. However, it stresses that the way markets work must respect the principles of commutative justice; that is, the rules of the game must ensure that there is no abuse of monopoly power, that there is transparency in the way business is conducted, and that transactions take place within the law and the regulatory framework.

However, the encyclical goes out of its way to point out that a market is more than simply a set of economic transactions: markets are embedded in a social and political context, and so “without internal forms of solidarity and mutual trust, the market cannot fulfill its proper economic function” (para. 35). The “moral energies” which generate such trust and solidarity come primarily from outside, not from inside, market structures.

For markets to work contracts are essential. But because economic life takes place in a social and political setting, the social doctrine of the Church also highlights the importance of distributive or social justice. For the Christian, economic life is not just about the rules of the game which result in the creation of wealth. It is also about the results of the game. “Grave imbalances are produced when economic wealth is detached from political action, conceived a means for pursuing justice through redistribution” (para. 36). Economic life is part and parcel of human activity. The market economy is not inherently inhuman. It is not opposed to society. It is not in its essentials the place where the strong subdue the weak. It is part of a larger picture concerned with redistribution to those deserving of support which requires progressive taxation and economic redistribution.

There is, however, a further dimension to the way markets work. Contracts based on legitimate self-interest subject to the principles of commutative justice are crucial to wealth creation. Over and above this, fairness and justice require a redistribution of income and wealth. Even if both of these are met there is still something more: there needs to be “a spirit of gratuitousness” which challenges the purpose of a corporation. Is a com-

pany simply concerned with maximizing shareholder value? Do we work simply to make money, or is work a high calling for a Christian? What are the responsibilities of leadership within companies? What is the nature of our duty to care? The encyclical argues the case that in order to survive companies must be profitable, but it also drives home the point that they must also be a force for good in the world.

The encyclical recognizes that the “market can be a negative force” not because markets are intrinsically negative but because they can become negative by being captured through a particular ideology. In the last few decades economic life has been increasingly perceived as being autonomous of ethics and justice. Although the encyclical does not mention Ayn Rand, Milton Friedman, or Friedrich Hayek by name, its view of the market is very different from theirs. Despite their many differences, they all viewed the market and how it should operate within the context of a libertarian philosophy in which economic life had significant autonomy from a moral order. The encyclical comments on such a view as follows:

The conviction that the economy must be autonomous, that it must be shielded from “influences” of a moral character, has led man to abuse the economic process in a thoroughly destructive way. In the long term, these convictions have led to economic, social, and political systems that trample upon social and political freedom, and are therefore unable to deliver the justice that they provide (para. 34).

The encyclical is keen that the market should not be made up of only profit-orientated private corporations. It should also include firms organized as partnerships, mutual organizations, credit unions, and social enterprises, all of which it perceives as having a civilizing effect on the economy. Profit is recognized as useful: it is a way of allocating resources efficiently so that producers respond to the wishes of consumers. But when profit is the exclusive goal of the firm it risks jeopardizing the common good. It remarks that there is “a higher goal than ... profit as an end in itself” (para. 38).

The encyclical makes it clear that ethics infuses every aspect of the marketplace: “Every economic decision has a moral consequence” (para. 37), “purchasing is always a moral and not simply economic act” (para. 66), “financiers must rediscover the genuinely ethical nature of their activity” (para. 65), “locating resources, financing, production, consumption, and all the other phases in the economic cycle inevitable have moral consequences” (para. 37).

In conclusion, therefore, the market economy with all its benefits to society is not an autonomous, impersonal, and amoral system. For markets to

work effectively they must be imbued with trust and concerned with more than self-interest and profit. This requires an altogether broader perspective in which business is perceived as a force for good, not just for profit, in which the owners are stakeholders along with employees, suppliers, consumers, and more generally society itself, which the encyclical perceives as having a fiduciary responsibility for ensuring social justice and inter-generational justice. Most important of all, for this to happen those who make up the market must draw on all the moral and ethical resources of a society which are in no small part of its religious heritage.

Globalization and the Financial Crisis

A second question the encyclical raises about globalization relates to the impact of the financial crisis.

The process of globalization as it developed over recent decades was the result of a reduction in trade and capital controls, the privatization of state owned industries, and the free flow of capital between countries, whether short term or long term, portfolio or direct investment. This required the development of global markets in foreign exchange, equities, bonds, credit, and commodities. They were the engines which enabled globalization to work. For the past few decades developments in these markets were widely praised, because they enabled the excess savings in countries such as China to be invested in developed countries, as well as enabling foreign corporations, banks, and pools of funds in developed countries to be invested in developing countries. This process typically involved transfers of knowledge and technology, such as US and European companies investing in Asia.

However, the financial crisis stopped globalization dead in its tracks. The global financial system came within minutes of a meltdown in which banks and central banks would have had to close their doors as they did in the US in 1933. The banking system had to be comprehensively rescued by governments. Stock markets around the world crashed, GDP in the countries most affected by the crisis fell by five to ten percent, and unemployment has reached disturbingly high levels. US, UK, and European banks were exposed as seriously undercapitalized, and an embarrassing number had to be bailed out by governments. Many banks were seen as having made seriously flawed lending decisions. Some bankers clearly overpaid themselves enormous sums of money.

The financial crisis produced a wholesale loss of trust throughout the financial system, which the encyclical describes as “a grave loss” (para. 35). The financial crisis led to a loss of trust by the public in banks, a loss of trust by regulators in the integrity of bank leadership, a loss of trust by politicians in the sensitivity of bankers to the needs of the common good, and a loss of trust by investors in the competence of bank management.

The financial crisis has shown that traditional ethical standards such as “transparency, honesty, and responsibility” cannot be ignored or attenuated (para. 36). The encyclical states that the international economic scene is “marked by grave deviations and failures” (para. 39). It mentions the “misuse” of finance “which wreaked such havoc on the real economy,” the “scandalous speculation” which took place in the build-up to the crisis (para. 65), and the “malfunctions and dramatic problems ... highlighted by the crisis (para. 2).

Instead of concerning itself with the failures exposed by the financial crisis, however, the encyclical looks forward not backwards, and in a spirit of confidence.

The current crisis obliges us to re-plan our journey, to set ourselves new rules and to discover new forms of commitment, to build on positive experiences, and to reject negative ones. The crisis thus becomes *an opportunity for discernment, in which to shape a new vision for the future* (para. 21).

What might be the elements of this new vision?

The major focus must be to regain trust. Confidence in the process of globalization and in the financial system cannot be established without the public, politicians, investors, and regulators regaining trust in financial institutions, and in the leadership of financial institutions.

This is partly a matter of implementing structural reforms to the banking system, some of which are already taking place. Basel III and the need for greater capital adequacy, the Dodd-Frank Wall St. Act in the US embodying the Volcker proposals to separate retail banking from what is perversely described as “casino” banking, the abolition of the Financial Services Authority in the UK, the creation of a new architecture for supervision, and the prospect of universal banks being broken up are all steps on this road. Some countries such as Switzerland have gone further than Basel III in their demands on the capital needed by banks. The point however about all of the above is the recognition that trust in the banking system cannot be re-established without reforms to the industry and the framework of regulation.

An equally important point is that re-engineering the regulatory structure of the financial system, while important, is a necessary but not a sufficient condition for the public to regain trust in the financial system. The leadership of banks must be people whose competence they respect, whose judgment inspires confidence, and whose concern for the common good is something with which they can identify and applaud. The key to this is the culture which executives in banks create within their own organizations. The encyclical is clear that such a culture has a number of dimensions: it

must rediscover basic ethical standards such as honesty and responsibility; it should be a culture in which profit is not the overriding goal; it should be accountable to all stakeholders including what it refers to as the banks' "community of reference" (para. 40); and it should be concerned with long term wealth creation and not just short term profit. Such a culture will mean that the institution will emerge as a force for good in society, and not a money machine run primarily for the benefit of shareholders.

A Litany of Specific Criticisms

In the third place the encyclical challenges a number of shortcomings of globalization.

Quite apart from the costs imposed on the world economy by the financial crisis, the process of globalization as it emerged over three decades is seen to have long term costs as well as benefits. High tariffs imposed by developed countries, which have made it difficult for poor countries to gain a foothold in the market of rich countries, still persist (para. 33). The Doha round set up to reduce trade barriers failed. The "scandal of glaring inequalities" between countries continues despite the phenomenal growth in world trade. Deregulation of the labor market and outsourcing production from rich to poor countries has undermined the rights of workers and created difficulty for trade unions. Hunger remains a great problem in developing countries, as does food insecurity. The result of all of this is that social cohesion suffers, democracy is put at risk, and there is a progressive erosion of social capital, which it defines as "the network of relationships of trust, dependability, and respect for rules," all of which are crucial to any form of civil society. Lastly, the successful economic growth of recent decades has done violence to the physical environment, which in turn has raised serious concerns over its care and preservation.

These criticisms of globalization reflect the views of many who have been critical. Joseph Stiglitz, while not opposed to globalization per se, is of the view that "for much of the world, globalization as it has been managed seems like a pact with the devil." In his view a few people in the country become wealthier; GDP statistics (for what they are worth) look better, but ways of life and basic values are threatened. Many critics argue that, while wealth is being created through globalization, in too many countries only a minority are sharing in the benefits. The majority have little or no voice. Others claim that globalization has forced the governments of developing countries to implement policies such as privatization, deregulation, liberalization, and the removal of capital controls, which are not appropriate to their current state of development.

In response to these problems Pope Benedict is clear in stating that "the Church does not have technical solutions to offer" (para. 9) and that "it does not claim the right to interfere in the politics of sovereign states." It

does, however, have a commitment to truth, which throughout the encyclical is expanded to mean the truth about the human person, the nature of the human family, the place of business economic life as part of a moral order, the relationship of the human person to the natural environment, and most of all the relationship of each person to a loving and merciful God. It views the world as in need of a profound cultural renewal which can only be built on rediscovering fundamental values.

The encyclical's commitment to seeking truth without advancing technical solutions may seem at first rather vague and removed from the many debates which have taken place over globalization. I do not believe this to be true, and is best illustrated by examples from two areas in which it has a great deal to say; global poverty and the physical environment.

The encyclical emphasizes time and again that the human race is one family. We are all created "in the image of God (Gen. 1:27)" (para. 45) which gives dignity to each human being, but which also places us in a unique relationship with all other created human beings. The encyclical moves into profound theological reflection in illuminating this relationship in terms of the Persons of the Trinity, who although distant and separate nevertheless have a unique and absolute unity. Pope Benedict comments that "the church is a sign and instrument of this unity" (para. 54), and that relationships between people cannot but be enriched by reference to the divine model. This is an absolutely critical theological statement, and central to Catholic social thought. It is because of its deep commitment to the significance of the human family that the encyclical treats gross inequalities of income and wealth so seriously.

Time and again it identifies with the weak, the poor, the lonely, the exploited, those who have no voice. It mentions in particular the plight of the hungry, migrants, those without water, those exploited by international sex tourism, those without "decent" work, the unemployed. It asserts that "the Gospel is fundamental for development" (para. 18), first because the Christian faith upholds the unconditional value of the human person and his development, and second because in the Gospel, "the incarnate Christ fully reveals humanity to itself" (para. 18). A Christian perspective of development therefore is not just a concern for a more equitable distribution of the world's resources (though it is that), but in a much more profound way it seeks to argue that human development will remain incomplete if this transcendent dimension is missing.

This is not just an exercise in academic theology. The perspective the Pope develops will result in practical action: re-distribution through taxation, international aid, countless charitable Christian ventures, social enterprise initiatives, and so on. Even the suggestions regarding policy which are made by the encyclical, such as the way aid may be allocated (allowing citizens to decide how they allocate a part of the taxes they pay to the gov-

ernment), developing a different type of international tourism (essentially up market and unrelated to sex), policies to deal with international cooperation for dealing with migration (the need for close collaboration between the migrants' countries of origin and their countries of destination) are however extremely general, and do not commit the church to either a specific view of politics or economics.

More importantly, the encyclical wishes to ensure that those who are suffering will know that development is incomplete without knowing personally the *caritas* that flows from *veritate*, the love of God himself to us shown supremely in the birth, life, death and resurrection, and ascension of Jesus.

A second example is the encyclical's approach to the natural environment. The encyclical states unequivocally that the environment is God's gift to everyone, and that in the way we use it we have a responsibility towards humanity as a whole, to future generations, and to the poor. It claims that such a Christian understanding rejects two extremes: the technical exploitation of nature, which treats the environment as little more than a raw material to be used simply for our pleasure; and a neo-pagan or pantheistic approach which sees nature as an untouchable taboo to be worshipped and therefore more important than people. The natural environment requires respect, and in this context solidarity between generations is important.

From a policy perspective the major thrust of its recommendation is responsible stewardship over nature. It mentions the energy problem and the hoarding of non-renewable energy sources being a serious obstacle to development in poor countries. It stresses that advanced countries must lower their domestic energy consumption. It invites contemporary society to review their life-styles, which are so easily driven by hedonism and consumerism. It mentions climate change only once, and only then in the context of international cooperation. It urges the Church to speak out in defense of the earth, water, and air as gifts of creation that belong to everyone. It urges Christians to speak out to protect mankind from self destruction. Again, however, its major emphasis is the "moral tenor of society," because it is this which will shape our perspective and ultimately be the basis of specific policies. The ultimate source for this is not ourselves but God himself. It is through God that we understand the nature of the environment and the road to true development.

Technology as an Ideology

The fourth concern of the encyclical is the relationship between globalization and technology as an ideology.

The major challenges to a Christian world view in the twentieth century came from two sources: a libertarian perspective such as that found in the work of Ayn Rand and Friedrich Hayek, which made a god of human

freedom through its emphasis on freedom of choice, human autonomy, and moral relativism, and a Marxist perspective which slavishly worshiped the power of the state to create a just society. The latter failed miserably as evidenced by the fall of the Iron Curtain and the USSR. Its theological underpinnings were carefully analyzed by John Paul II in *Centesimus Annus* (John Paul II, 1991). The tendency to worship the market, extend the market to all areas of life, and judge goods, services, culture, people, and institutions by their market value is still with us, though it has been heavily dented by the financial crisis. Because of both of these crises there is great disillusion today with ideologies.

One of the interesting insights of the encyclical is that technology, which affects all aspects of our lives, has emerged as an independent ideology which, if it is allowed to develop, can have just as devastating consequences as communism or unbridled capitalism. This concern over technology is not something new. Jacques Ellul, a French academic sociologist who published *The Technological Society* in 1964, wrote of technology with a capital T as having two tendencies: a “totalizing” tendency which has resulted in technology permeating every area of individual life and providing the interface between the person and everything and everyone else, and a “universalizing” tendency, which has led to its spreading around the globe revolutionizing the availability of information and the speed of communication (Ellul, 1964). Perhaps the best example of the latter is the world of finance in which markets are open to trading twenty-four hours a day, and in which information is conveyed around the globe instantaneously.

The encyclical is not critical of technology per se. Technology is a response to the creation mandate to fill and care for the land (Gen. 2:15). It enables us to exercise dominion over nature, to communicate more readily, to treat disease more effectively, and to increase labor productivity. Technological development is an expression of human creativity and genius. Technology has expanded choice and allowed us to reach new heights in science, medicine, design, engineering, and the arts.

One problem with technology, however, is that it focuses our attention so much on the material that it leads to a neglect of the spiritual. Its criterion of truth becomes efficiency and utility, and so we fail to see anything beyond the material. As a result, development is thought of as economic development, especially measured by the growth of GDP, with a consequent emphasis on the economic reform needed to bring this about—removal of tariff barriers, privatization, re-engineering banking systems, development of new exchanges, and so on. In the wake of the financial crisis, discussion of banking reform has been about increased capital ratios, new liquidity requirements, improved management of risk, more effective compensation structures, and even forcing banks to hive-off certain activities or break-

ing up banks. Hence development becomes a purely technical economic issue. The limits to GDP as a measure of economic welfare get forgotten. The natural world has no intrinsic worth as part of the created order. The culture within banks in the debate over reform is neglected. True development, however, will always be about more than economic growth. It requires decisions to be undertaken within a moral framework. "Development is impossible without upright men and women, without financiers and politicians whose consciences are finely attuned to the requirements of the common good" (para. 71).

A further problem with technology is that it can easily become an expression of absolute freedom without recognizing the limits inherent in the nature of things. "The process of globalization could replace ideologies with technology, allowing the latter to become an ideological power that threatens to confine us within an *a priori* that holds us back from encountering being and truth" (para. 70). Professor Paul Dembinski from the University of Friborg (Switzerland) has coined the term "financialisation" to describe the growth of the importance of finance in the western world, not simply because of its increased share of economic activity but also because of the way it has affected people's aspirations, values, and culture (Dembinski, 2009). It is the embodiment of the creed that "greed is good." He claims that it has led to the total triumph of transactions over relationships which have undermined values such as patience, loyalty, and trust. Efficiency and profit have become the sole criteria of business without regard to any moral framework. "In a lonely crowd of individuals linked only by transactions, the common good is an irrelevant and meaningless notion."

At the heart of technology as an ideological power is a defective view of the human person as materialistic, egocentric, individualistic, calculating, godless. The encyclical counters this view with a Christian understanding of the human person as reflecting the divine image, the basis for human dignity and human rights. The person is "a unity of body and soul", and "the question of development is closely bound up with our understanding of the human soul" (para. 76). A prosperous society based on technological development will always fail to provide true development. Persons develop when they come to recognize the truths about themselves and their need to enter into a relationship and engage in dialogue with God. The next step is to recognize the weaknesses of financialisation and to move beyond the world of transactions. According to Dembinski, placing emphasis on the importance of relationships, taking into account longer term concerns (not just short term financial gain), challenging the system of remuneration, and being concerned with the culture and value of the institutions for which they work are the means to challenge the technological world view.

The Governance of Globalization

The fifth challenge to globalization by the encyclical is its management. The encyclical views globalization not as some autonomous and spontaneous socio-economic process similar to what Hayek called “Katallaxy,” from the Greek. Rather, it is a process which needs to be firmly managed within an appropriate framework of governance.

Ever since the economic chaos of the inter-war years led to protectionism, competitive devaluation of currencies, and the Great Depression of the 1930’s, the case for global economic governance has not been seriously disputed. It was this which produced the IMF, the World Bank, and the GATT (now the WTO), and today the G-8 and the G-20, the Basel Committee on international bank regulation, and the Financial Stability Forum. It is clear that on issues such as exchange rate adjustment, capital controls, trade barriers, and the regulation of banks we need a regulatory framework in order to ensure stability and order. The real issue is not whether it is necessary but simply the form such a framework should take.

The encyclical has no doubt about this. In the face of the “unrelenting growth of global independence” the encyclical calls for reform of economic institutions linked to international finance, and even to the transformation of the United Nations Organization into a “true world political authority” (para. 67). Such reformed institutions would among other things manage the global economy, revive economies hit by the crisis, avoid any deterioration of the present crisis, deal with food security, guarantee the protection of the environment, and regulate immigration. As if to leave the reader in no doubt about its potential role, it would “need to be universally recognized and to be vested with the effective power to ensure security for all, regard for justice, and respect for rights. Obviously it would have to have the authority to ensure compliance with its decisions from all parties, and also with the coordinated measures adopted in various international forums” (para. 67).

This seems nothing less than a call for the construction of a new economic, social, legal, and political world order, at the heart of which is a political authority which is little short of a world government. The theological problem I have with this is that it seriously underestimates the nature, extent, and power of original sin, which curiously is spelt out powerfully earlier in the encyclical (para. 34). Original sin is explicitly mentioned in connection with a reference to modern man being wrongly convinced that he is the sole author of himself, his life, and his society. It even quotes the Catechism of the Catholic Church: “ignorance of the fact that man has a wounded nature inclined to evil gives rise to serious errors in the area of education, politics, social action, and morals.” The economy is specifically mentioned as an area where “the pernicious effect of sin” have been evident for some time. The whole thrust of the encyclical is that in one area

after another—technology, bioethics, development aid, food insecurity, culture—the attempt to construct life based on secular humanistic principles is sure to fail.

If the UN is to be transformed into a “true world political authority” and to be “vested with power to ensure security for all, regard for justice, and respect for rights” (para. 67), it is difficult to see how subsidiarity will provide an effective balance of power. The danger in this recommendation is that because the concentration of power which it provides is so great, it is just as easy for “the pernicious effects of sin” to become evident in other areas as it is in economic life.

While the encyclical recognizes that there is a danger of allowing a “universal power of a tyrannical nature” to emerge, it argues that this can be dealt with by the application of the principle of subsidiarity. I believe that it takes an extraordinary leap of faith to believe that applying the principle of subsidiarity could ever prove an effective counter-balance to the power vested in a transformed UN.

The second objection to this proposal, however, is practical. There is not the slightest chance of it ever happening. Countries will not be prepared to give up their sovereignty to a reformed UN organization, not least because in democracies, the electorate will prevent them. It is therefore far more realistic to explore small practical changes to the present governance of globalization which could contribute in a tangible way to the common good. First, there is the need to restructure representation in international economic institutions to better reflect their significance in the world economy. BRIC countries are expected to provide sixty percent of the world’s growth from 2008-2014. The move by the G-8 to expand into the G-20, and by the IMF to increase the voting power of developing nations is a beginning. This needs to be extended to other core issues, including trade, finance, climate change, and security. Second, the attempt by Germany and the UK to revive the Doha round is an important counterbalance to the drift to protectionism. Third, there needs to be an agreement in a world of floating exchange rates of the conditions that must be met before countries intervene in foreign markets to protect their currencies. Fourth, there has to be a common agreement on dealing with banks which are too big and too connected to fail among US, UK, and Eurozone countries.

Conclusion

Caritas in Veritate is a remarkable document, and deserves to be read by anyone interested in contemporary global economic issues. It strikes a judicious balance between economic freedom and social justice. On the one hand, it recognizes the benefits of a global market economy in producing global wealth creation. On the other hand, it also recognizes the limitations of the market and so the necessity to help the poor, protect the

environment, and leaven the lump of free market capitalism with a spirit of generosity and solidarity, within a commercial culture which governments cannot provide.

The encyclical views globalization as a potential force for good in the world, creating opportunities where few existed, lifting billions out of poverty, and enabling developing countries to play a greater role in global governance. It acknowledges that the financial crisis has imposed a severe cost on many countries and exposed ethical shortcomings within the international banking system. It devotes more attention, however, to the opportunities provided by the way forward, rather than to the failures of the past.

Most importantly of all, it sets economic life within a spiritual and religious framework. It repeatedly observes that prosperity in itself will never produce lasting happiness. As people created in the image of God living in the world He created, with all that implies about the dignity of the human person, our responsibilities to others, and our care for His creation, the encyclical makes it clear that we can never achieve fulfillment even in human terms if we exclude God. Authentic development is the consequence of *caritas in veritate*, truth-filled love, which is given to us, not something we create, and which is revealed supremely in the life, death, and resurrection of Jesus Christ. It is through knowing Him that globalization can be transformed from something good into something truly great, worth not just two but three cheers.

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