

Comment on Hittinger's "Divisible Goods and Common Good: Reflections on *Caritas in Veritate*"

Joseph Kaboski
University of Notre Dame

Russell Hittinger's essay, as I understand it, explains the following three key points as background for economists to understand *Caritas in veritate* (CV): (1) what the nature of Catholic social doctrine (CSD) is—namely, theological; (2) what the term "society" means; and (3) what the term "common good" means. Understanding these three points is critical, since the central thrust of CV (and CSD in general) is to clarify the importance of promoting love and communion in man's relationships with man, rather than merely enhancing purely economic relationships.

Nature of CSD

The focus of CSD is essentially theological, in the loose sense that it teaches us something about man's nature, his relationship to God, and his relationship to himself and others under the divine plan. In the social encyclicals, the Popes attempt to make this theology relevant to the social issues of the day, but to read these encyclicals as economic manifestos is to miss the point. To rephrase the Scholastic words of [conference participant] Jesus Fernandez-Villaverde: to focus on the accidents of the doctrine is to miss the essence.

This is an important point, and one, I believe, that would please most Catholic economists. As Catholics, we are happy to listen to the Church on matters of religion/theology, and we readily accept that there is an aspect of life (in fact the deepest aspect of life) to which economics does not speak. Additionally, it is a relief to learn that the thrust of the encyclicals is not intended to be economic.

Given this understanding, I think a good approach is to say, "stop thinking like economists for the moment, and start thinking like Catholics in the pew. Let us try to get these religious/theological ideas across first. Afterwards, we can think of whether or how it all relates to economics." The former is a prerequisite for the latter. If we concentrate on the latter initially, we may never accomplish the former. With this approach in mind, I will start by discussing societies and the common good, without reference to markets or economies.

To get these ideas across to economists, it is important to first clarify some basic terminology. Economists put great emphasis on clarifying terminology, as I am sure philosophers and theologians do, particularly within certain subfields. As economists, we tend to be suspicious of terms which cannot be clearly defined and theories which cannot be explicitly (i.e., mathematically) demonstrated to be self-consistent. We believe loose terminology and insufficient formalization is often an indication of, or worse, an attempt to conceal, sloppy thinking. (I confess I am often frustrated by the loose terminology in encyclicals. For example, I have never found a discussion of just what “the Social Question” is).

I realize that sometimes there are valid reasons for using loose terminology. First, some matters require a great deal of background for formal definition. (e.g., a “trembling hand perfect equilibrium” has a very precise definition, but it would take weeks to define.) In this paper, my discussion of economics will use some loose terminology for this reason. Second, some concepts can be intelligibly discussed, even if they cannot be properly defined—e.g., although Justice Stewart admitted he could not define pornography, the word has very clear meaning. I think most of us agree with him that we “know it when we see it.” Third, for profound concepts, I think theologians often avoid clear definitions because clear definitions can create a false certainty about meaning. To say, for example, that the Trinity is “three persons in one divine nature” may give clarity, but to think we have fully captured the meaning of the Trinity in that definition would be a disservice to the greatness of the mystery. Similarly, Jesus never provided a clear definition of the “Kingdom of God,” but He certainly used the phrase a lot.

What is a Society?

In any case, before discussing what a society is, it will be helpful to clearly define two important concepts: person and communion.

One of the first things we learned in catechism class is the purpose of life. To the question “Why did God make me?” the response we learned was “to know, love, and serve Him in this life and to be happy with Him in the next.” Similarly, one of the first stories of the Bible is that God created man “in His image.” Essentially, both statements say that man is a “person.” By *person*, we mean a being endowed with “the ability to know and love,” i.e., with reason and will. In contrast to things, persons have much greater dignity or importance. A person is a “who” and not just a “what,” so we can understand the Trinity as being three persons (“whos”) in one God (“what”). Thus the concept of person is central to our

understanding of religion. It is also central to understanding a great deal of Christian ethics (e.g., that persons should never be considered/treated simply as means to an end.)

Persons by their nature are meant for communion. What do we mean by “communion”? *Communion* is to be united with a person or group of persons by love while still retaining one’s own identity. The Trinity is the first and most obvious example of communion. A second example, which is in many ways an image of the first, is the communion we will experience with God in Heaven, when Christ will be united with his Bride, the Church. This is the “to be happy with Him in the next” part of the Catechism answer. A third example, which is an image of this second example, is the Eucharist. In receiving the Eucharist, we are united with Christ and the Church, and thus we call the sacrament “Communion.” Clearly, the concept of communion is also central to our faith. Perhaps it would be fair to say that if love is the cause, communion is the effect. In fact, the purpose of life comprises love and communion with God and people.

With these definitions as background, one could define *society* as a group of persons who share communion at some level.¹ Of course, the Trinity is the ideal model of society, but there are less perfect reflections of this society, which result in different levels of society. The use of marriage in Hittinger’s essay is a great example. A family is the most basic human society, and it most closely reflects the society of the Trinity. Also, the sacrament of Marriage, like Holy Communion, is a clear reflection of the heavenly communion of Christ and his Bride (Eph. 5:31-32).

There are lower levels of societies too, however, such as parishes, teams, companies, nations, and the entire human family. All of these typically reflect, or can at least be opportunities for, some type of communion. For example, I liked Hittinger’s mention of labor unions. The right to form labor unions comes not from the right to collectively bargain but from the natural right to form voluntary societies, which comes from our social nature, i.e., the fact that we are by nature persons meant for communion with one another. Of course, not every group of people is a society, since shared communion is a defining characteristic of a society. In the essay, the example of people standing in line was excellent; they would not constitute a society because they do not share communion.

Having used the term “natural right,” I should also make a (perhaps inadequate) attempt to define “natural law,” since I think it will also be useful later in this discussion. Natural law is a rule or system of law/ethics that is (1) based on human nature, (2) reflects God’s eternal law, and (3) can be discerned through human reason and knowledge of the world.

I realize one reason that CSD is not often explained in the purely religious terms I have used is that the Church believes that, given point (3), the doctrine can be explained in general terms, accessible even to non-Christians. Sometimes, however, important aspects are lost in a general definition. For example, [conference participant] Cardinal George's definition of the principle of subsidiarity ("the people who make decisions, should be the people who have to live with the consequences") was clear, but it was only a partial definition, in my opinion. Economists can immediately agree with this definition because subsidiarity makes a great deal of economic sense. However, subsidiarity is really an *ethical* principle that leads to communion, by respecting the identity (and, therefore, the dignity and freedom) of other persons and smaller societies. Thus it has more to do with God and communion than with efficiency. It is an ethical principle rather than an economic or political principle. The fact that it also makes economic sense only reflects that God has made His eternal law (point 2 above) accessible through our knowledge of the broader world (point 3 above). That is, the principle may make practical sense, but the larger point is that in some way it helps lead us to God.

What is the common good?

I think a similar point holds for the Hittinger's explanation of the common good. Every society has *the common good*, which we might simply define as the objective benefit or good that comes to persons from being part of a society.² The common good encompasses this entire benefit that the members receive in common, so it could involve the goal of a society (e.g., a marriage having a child, benefiting economically from husband and wife specializing, being healthier, happier). These benefits are part of the common good, but they are not the full common good. Just as economic efficiency may point to subsidiarity but does not capture the heart of it, economic and psychological benefits help point to the common good but do not capture the heart of it. The heart of the common good is the communion that results from participating in society and sharing some level of love with its members.

I think the main point of CV emphasized in the essay is that it is important to put this heart of the common good, communion, in the center of all of our societies, including economic societies, such as firms, markets, etc. Markets and exchange alone might be able to create these other benefits, but they cannot create communion and love. Moreover, this love and communion has to be true love and communion, i.e., in harmony with the truth about man and God.

If this is a reasonable understanding of the essay, I think we can proceed to consider how this relates to economic science. The relationship involves two issues: (1) the extent to which these concepts are incorporated into current economic thought, and (2) the extent to which incorporating these ideas is important for the questions economists address.

Current Concepts of the Common Good in Economics

To what extent is the concept of the social nature of man and the common good incorporated into current economic thought and methodologies?

First, economists tend to distinguish between positive and normative research. Positive research focuses on how things are or how things might be under different scenarios. That is, it focuses primarily on empirical measurement and predictive theory. Normative research deals with how things ought to be. The vast majority of economic research is positive, and even within normative research, economic research is fairly focused, addressing mainly issues of efficiency and, to a lesser extent, inequality. Economists come from a wide variety of religious, cultural, and philosophical backgrounds, so much of the limited normative focus is intentional. In a diverse group, it is much easier to get agreement on positive research than it is to get agreement on meaningful values. In any case, the latter is certainly not economists' particular expertise.

In positive economics, we do formally incorporate many common goods, in both the plural and singular, into our theory. In general, I believe that economists incorporate a great deal more into our theory than people from outside of the field are aware. It is often frustrating to hear claims that economists do not think about X because it is often (usually?) the case that researchers are not only thinking and writing about X but publishing it in frontier journals.

Initially, we can address the social aspects of man and the common good concept by considering public goods. Public goods are goods that are non-rival (one person's use does not exclude another's use) and non-excludable (no one can legally prevent one from using another). National defense or clean air might be considered pure public goods. Ideas would be considered non-rival, but partially excludable (through patents, copyrights, etc.) With public goods, whether something is actually divisible, or even tangible, is not a crucial distinction; The theory can easily incorporate either. We can model a marriage as producing a good/benefit that is common to the spouses (extra money, even children!), which we might conceptually think about distributing between the spouses. We could also consider a benefit that cannot be divided or redistributed. In coarse terms, this would be

the “utility” one gets from being married, which could be happiness but, strictly speaking, this additional utility would just be a way of saying that there is something beyond the measurable output (e.g., kids, the benefits of resource pooling, specialization, or risk-sharing) that makes people get married.

One way we think about the social nature of man is through “social interactions” of preferences. For example, your actions may directly enter into the decisions I make. The most frequent type of social interaction is called “altruism.” We can model a father having a preference for his son to have high consumption, or to go to college, or simply that his son’s own desires be better fulfilled. The father’s actions toward the son might then depend on the son’s situation, actions, etc. We can think about fads and fashions as a second example of modeling social interactions.

Economists have also spent a fair amount of time thinking formally about how to deal with conflicting preferences: e.g., one person prefers to invest in a public good for the poor and another does not. Literatures on conflicting preferences are often called “social choice” or “public choice.” In our discussion, [conference participant] Chris Phelan referred to Nobel Laureate Kenneth Arrow (1950)’s “impossibility theorem,” probably the most well-known result in these literatures.

It seems to me that culture is another aspect of the common good, and economists have done some research on culture, both empirically and theoretically. Empirically, the work measures the extent to which culture matters, and there is much debate on this subject. In laboratories, economists pose different problems to subjects, and people from different countries, men and women, etc., often respond in systematically different ways (e.g., showing more/less reciprocity, more/less risk-taking). Measuring and isolating culture or different aspects of culture is extremely difficult, but economists are working on this research. In fact, [conference participant] Luigi Zingales and his coauthors have written a fair amount on this subject, addressing the effect of trust and cultural affinity. See, for example, Guiso, Sapienza, and Zingales (2006; 2008a; 2008b; 2009).

Theoretically, we economists also take many approaches. One way economists think about cultural differences is simply as different equilibria. A simple example would be why is it a norm to drive on the right in the U.S., but the left in Britain? The norms in this example may simply be somewhat arbitrary but stable. Another example might be why do we see mutual co-operation in some countries, and war and conflict in other countries? The one might be a virtuous cycle, while the other is a vicious cycle. There may be unique outcomes, but these outcomes depend on

differences in underlying resources, institutions, technologies, available information, etc. Game theory deals with some of these questions.

Another theoretical way to think about culture is through preferences. However, economists are typically reticent to lean on preferences as an explanation, for two reasons. First, the explanation is simply too easy. For example, why does Africa have more wars than modern Europe does? Simply, Europeans have a stronger preference for peace. Second, preferences do not really explain anything. If Europeans did indeed have a stronger desire for peace, the natural next question would be, “why?” Some economists are working on the formation of preferences. [Conference presenter] Casey Mulligan has done some work on this. See, for example, Becker and Mulligan, 1997. Economists have used this approach to address subjects such as parents instilling patience into children, the interaction of economic phenomena, and addictions.

Issues and Limitations of the Economic Approach

The essay mentioned exposing the warts, and so I will explain some of the limits of economics in this discussion. In so doing, I will try to partially address the extent to which economics might be more enriched by inclusion of these concepts. I think this is an important conversation where much discussion is needed, and so I simply offer a few thoughts on the subject.

First, economics is an empirical science. We focus on concepts we can measure and theories that can be tested. This focus allows us to discard or modify ideas that do not stand up to empirical reality. For most economic questions, I view this focus as a major strength relative to other approaches. A complaint many economists have with other approaches to the economy is an unwillingness to confront empirical realities and put theories to the test. Marxist analysis would be an example of such an approach. Nonetheless, while we can be very creative in how we think about modeling and measuring things, many things are difficult or nearly impossible to measure. While we have measures for altruism, trust, and risk-taking behavior, it might be very difficult to think about measuring faith, hope, and love. Also, the scientific approach is a logical limitation; it is not a logical necessity that the true explanation be a scientifically testable explanation. Obvious examples are the existence of God or the Real Presence in the Eucharist. The former can be arrived to by natural reason but not science, while the latter is purely a matter of faith.

Second, on the normative side (i.e., value-laden questions of how things ought to be), I think we are very limited. I mentioned that we tend to

54 FAITH & ECONOMICS

focus on only efficiency and distribution issues, which is a problem for Catholics. A larger problem is that we tend to focus on a very limited view of the good (i.e., people's choices), but people's choices can be very far from an objective, absolute good, which we Catholics believe in. People's own choices may even be very far from their own subjective view of the good (e.g., addictions).³

In thinking of the common good of marriage, for example, we could model a joint benefit of marriage, but such a benefit would be essentially subjective. For instance, if we see a divorce, it might imply that the couple's subjective valuation of this benefit has declined. CST would say that the marriage has an objective value, however. Thus, beyond economic reasons for not having on-demand divorce (e.g., people are not able to commit easily), there may be a paternalistic reason (e.g., people do not value marriage as much as they should). Again, I think there is a reasonable wariness toward a paternalistic view of what is good for individuals, but I am always careful to tell my students that there is a difference between preferences and objective goods. I think most Catholic economists would (and often do) welcome the Church's voice in normative discussions, but we hope that we can help that voice to be open to the economic realities of the world.

Second, I often think that CSD presupposes or perhaps implies that people are much more social than economists generally consider them to be. Perhaps there are a great deal of public goods that we have the tools to consider but do not, and perhaps culture and other social interactions also play a larger role. I sympathize with these ideas, in principle. One defense of economics, however, is that culture, social interactions, and public goods make theories more complicated, more difficult to solve, and less tractable. These social interactions can also be exaggerated. The extent to which these things matter must certainly depend on the question. If we are considering marriage or parent-child relationships, it seems necessary. If we are thinking about the social interaction between me and a random female schoolteacher in the Ukraine, I may have a general agape for her, but it is probably irrelevant to which house I decide to purchase. On the positive side (i.e., when we use economics to predict behavior), the extent to which these things are relevant becomes an empirical question that the data can help us answer. I do not believe the Church claims any expertise in this area.

Third, regarding culture, I can immediately think of two ways that economics is limited. First, we can model or analyze the formation of preferences, based on the actions of individuals and the people around

them, but we always have to start with some initial preferences to get the ball rolling. It is necessary to start with something that is not explained but instead taken as given.⁴ Where do those initial preferences come from? It is difficult to isolate or think about what “primitive” preferences, stemming simply from man’s nature and physiology, might be. However, I think the basic preferences economists usually assume are reasonable for most questions we address.

I think a stronger limitation is in thinking about virtue. As a Catholic, I see virtue as an important aspect of culture. While there is economic research on virtue, in my opinion it has been understudied. I think there are important questions involving virtue. Whose investments are most important? How does virtue propagate? How do different policies and societal trends (e.g., regarding family, schools, or religion) affect its formation? How important is it for various economic phenomena?

Again, virtue has been understudied for decent reasons. First, virtue is difficult to both measure and model. Second, one view suggests that virtue can simply be inculcated into the population to make economic problems no longer relevant. While I think virtue is important, I find such utopian ideas misguided. I do view it as a strength that economists take the fallen nature of man seriously.

The biggest reason we have understudied virtue is that, properly viewed, virtue falls outside of the realm of economics in many ways. Economic theory ultimately deals with people’s choices and actions, but the heart of virtue is really the interior disposition of the person. True virtue generally manifests itself in action, but this manifestation is accidental, similar to the way that economic efficiency was accidental to subsidiarity. St. Paul wrote, “If I give away all I have to the poor but have not love, I am nothing” (1 Cor. 13:3). We could consider two people who take identical magnanimous actions; one does them out of love and the other out of vainglory. If these people were in no way distinguishable by their actions (e.g., in no situation would the vain person would behave differently from the loving person), then economists would model them as identical people. Again, this would not affect the predictive aspects of the model, but it could affect normative valuations. Since virtue is the central characteristic of both the good life and good society, this is a clear limitation. Hence, I find the emphasis on communion discussed by both Hittinger and the Pope very important, but beyond the scope of economics in important ways.

In all of these cases, I have used the word “limitation” rather than “flaw.” This usage is not because I think economics is without flaws. Economics and economists have many flaws, and these flaws tend to be even deeper in

practice than in principle. Instead, I used the word “limitation” to emphasize that I think pointing out the limits of economics is more important than pointing out the flaws. I do not believe economics can deal well with faith, hope, love, courage, etc., but this belief says only that economics does not provide a complete view of man. A complete view demands more than we could expect from any one discipline. Most economists, especially Catholic economists, would agree with this limitation.

I remember mentioning to a theologian at our conference last year, “of course economics does not capture everything about the human experience. Jesus is the most central person in the human experience, and the person whom I try to make the center of my life. In all my years as an economist, I have never seen an economic model with Jesus in it.”

Endnotes

- 1 Before reading this paper I had in mind an alternative understanding, which was that a “society” follows a standard definition (“a group of people related to each other through a persistent social relationship” — wiki). Here people in line at the bank do not have a persistent relationship, so would not constitute a society. Communion would be a natural goal of every society, but would not be essential to defining a society.
- 2 An apparent counterexample might be a band of thieves, since it would be neither beneficial nor good. Note, however, that a band of thieves would not be a society by the definition above, since it would lack communion.
- 3 Economists do have models of internal conflict, but these cause great problems for normative analysis.
- 4 It may be strictly true that “everything depends on everything else,” but if this contention dominates all discussion, then we human beings may as well throw up our hands. We cannot understand everything in its entirety, so we have to be able to focus on simplified parts of the whole.

References

- Arrow, K.J.** (1950). A difficulty in the concept of social welfare. *Journal of Political Economy*, 58(4), 328–346.
- Becker, G.S., & Mulligan, C.B.** (1997). The endogenous determination of time preference. *Quarterly Journal of Economics*, 112(3), 729-758.
- Guiso, L., Sapienza, P., & Zingales, L.** (2006). Does culture affect economic outcomes? *Journal of Economic Perspectives*, 20, 23-48.

- Guiso, L., Sapienza, P., & Zingales, L.** (2008a). Social capital as good culture. *Journal of the European Economic Association*, 6, 295-320.
- Guiso, L., Sapienza, P., & Zingales, L.** (2008b). Trusting the stock market. *Journal of Finance*, 63, 2557-2600.
- Guiso, L., Sapienza, P., & Zingales, L.** (2009). Cultural biases in economic exchange? *Quarterly Journal of Economics*, 124, 1095-1131. ■

