

Understanding the Modern State-The Common Good

This paper was delivered by Clifford Longley at the Von Hügel Institute Conference on 'Catholic Social Thought and the Big Society' held at St Edmund's College, Cambridge 25-26th June 2012.

Caritas in Veritate is an encyclical which presents the Catholic Church's deep reflections on the financial and economic crisis which reached its climax towards the end of 2008. It is above all an encyclical about the common good: and its basic conclusion is that it was the neglect of the common good which was the fundamental cause of the crisis.

This priority Pope Benedict gives to the common good is demonstrated first of all by its place in the encyclical as its argument unfolds. He starts with justice, which he calls "the primary way of charity". Charity demands justice – recognition and respect for the legitimate rights of individuals and peoples. But then he goes on: "to love someone is to desire that person's good. Beside the good of the individual there is a good that is linked to living in society – the common good. To desire the common good and strive towards it is a requirement of justice and charity."

This is at the heart of Catholic Social Teaching and always has been. Pope Benedict refers repeatedly to a phrase first used by Pope Paul VI in *Populorum Progressio*, namely "integral human development". When you desire someone's good, what you are really desiring is their integral human development. And Pope Benedict is quite clear: the context in which integral human development has to be pursued is social. Human beings are social animals. This in my view is the fundamental mistake made by those who promote the idea that the primary focus of Catholic Social Teaching is the individual. It is "social teaching"; it is not "individual teaching."

I do not find in Catholic Social Teaching any warrant for an individualistic interpretation that says, and I quote: "The primary objective of Catholic social teaching is the promotion of the dignity of the human person. It is often suggested that the primary objective is the promotion of the common good. This is an error.." and here I am quoting Philip Booth. It seems to me that this distortion is made necessary by the desire to construct, as Philip and other neo-conservative free market economists frequently do, an interpretation of Catholic Social Teaching which endorses free market economics. Only by very selective and partial quotation from the texts which are the primary sources of Catholic Social Teaching can one maintain such an interpretation. A much

fuller account of CST would show that free market economics stand under judgement, as always dangerous to and often very damaging to the common good. Indeed, by their very nature.

Underlying free market economics are two related moral understandings of economic activity, both of which are preoccupied with the interests of the individual, and both of which are erroneous. The first, as expressed by Adam Smith in *The Wealth of Nations*, is that “It is not from the benevolence of the butcher, the brewer or the baker that we expect our dinner, but from their regard to their own interests.” The second is the even more well known proposition from the same volume - if an individual pursues his own interests, “intending only his own gain,” said Smith, then he is “led by an invisible hand to promote an end which was no part of his intention” namely the prosperity of society. Or to put it another way, “greed is good”.

Economies founded on such principles generate their own contradictions, which Karl Marx thought would inevitably prove fatal to them. So Marxism and free market economics are a pair, in that both of them look to dynamic forces beyond human control - one beneficial, thanks to an “invisible hand”, and one destructive, class warfare and revolution. Two important things have happened to these false prophecies. First, at least since 2008, free market economics has suddenly ceased to be beneficial as an instrument of wealth creation, and instead become an instrument of wealth destruction on a gigantic scale. There was no invisible hand after all. But second, the Marxist revolution did not then happen. There was no historical inevitability about it after all. Indeed, the collapse of the Soviet empire proved that Marxism contained its own internal contradictions.

One of the contradictions in free market economics is in fact anthropological. In the long run the remorseless appeal to the pursuit of self-interest is not very satisfying. Business people are social animals like everyone else, and they need to feel they are making the world a better place. This social dimension is essential to what it is to be human. Without it we are maimed.

There is a growing realisation of this among people actively engaged in business. Intelligent business leaders are only too aware that they are under critical and sometimes cynical scrutiny, and that public opinion is not over-impressed with some aspects of their performance. The public has lost confidence in the way business is run, and sees it as taking value out of the community instead of contributing value to it.

It does not have to be that way. Wealth creation and the meeting of human needs should bring huge benefits to society. There are shared benefits, or to use traditional philosophical language, a common good. So the aim should be to align business and society in such a way that their common good is enhanced. Society and business can then say to each other: “Your problems are our problems; let us solve them together.” And it is self-evidently much more efficient for business to have that attitude at the heart of its objectives from the start, rather than to be made to serve the common good against its will whether by government regulation, fear of media exposure or public disapproval.

In his encyclical *Centesimus Annus*, Pope John Paul observed: “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.” In other words, organising them so they both serve the common good.

I heard it predicted not long ago that the fundamental choice facing Western societies would be between the free market and Aristotle. Aristotle and all he represents is our last hope, perhaps. The principle manifestation of Aristotelian philosophy in our culture is within the Catholic Church, though other churches and religious groups are fast cottoning on. And the principle manifestation of Aristotelian philosophy in the Catholic Church – sadly neglected though it often is - is Catholic Social Teaching.

Aristotle’s view, simply put, was that what was necessary for society to prosper was not so much the pursuit of self-interest but the practice of virtue. This could indeed include looking after one’s own interests, as an exercise of prudence or justice. But the emphasis was on the common good. That came first.

These two domains, the Aristotelian world of virtue and the common good, and the free market world of self interest and profit, swirl around us in the very air we breath. We are torn between them. The Pontifical Council for Justice and Peace produced a booklet earlier this year written by, and addressed to, economists and business people. It was an application of Catholic Social Teaching to the business world, in which, it shrewdly observed, many people find themselves living “divided lives”. “Obstacles to serving the common good come in many forms...” they said, “but the most significant for a business leader on a personal level is leading a ‘divided life’. This split between faith and daily business practice can lead to imbalances and misplaced devotion to

worldly success.” This is the essence of the fundamental human flaw in free market economics. It forgets that homo economicus is in fact a human being, one who strives to be integrated not divided. That is fundamentally what integrity means.

The Vatican document describes a phenomenon which characterises the age we live in. In their daily work, people in business find that they have to leave part of themselves behind if they are to operate as the business world expects. They have to become hard-nosed profit-mongers, focused like Adam Smith’s butcher, brewer and baker on shareholder value and their own pay and bonuses. Yet back home, in their private lives with family and friends, in their social circle and their clubs and hobbies, in short in all aspects of their life in civil society including their faith if they have one, they are, by and large, Aristotelians. They find this divided acutely uncomfortable – or at last, we must hope they do. If they do not, then perhaps something inside them has already died. They have indeed sold their souls to the devil in return for worldly gain. The right place for homo economics is where Dante consigned their mediaeval equivalents, the usurers, namely the lowest circle of hell.

Apart from such people, virtue still lives and is respected. Indeed, it is still the predominant value system. Even in many businesses, the man of integrity is looked up to, the ruthless scoundrel despised. But in all sorts of ways virtue is threatened by the escape of the ethos of the free market out of the bankers’ boardrooms into the High Street - where it threatens to turn everything that matters into a commodity that can be bought and sold for profit.

What is such a society like? Well, we don’t have to look much further than the United States, and its inability to provide that most basic human right, described as such indeed in the papal encyclical *Pacem in Terris*, namely the right to health care. Even under President Obama’s very modest reforms - modest by European standards, that is – people will continue to live in chronic fear of ill-health, not because of the pain and suffering of the disease they may be afflicted by, but of the uncertainty of their health needs being met. For me the most damning verdict on the free market approach to health care is contained on some statistics compiled by the American Central Intelligence Agency in 2009 on infant mortality. Which is the richest country in the world? America. Where does America come in the global league table of infant mortality? 46th. Do they care? It seems not.

Embedded deep in the neo-conservative philosophy is a libertarian rejection of any form of state intervention for the common good, which in fact stands contrary to the teaching of every one of the social encyclicals since *Rerum Novarum*. I'm afraid they take their cue from Adam Smith, and it is instructive to read a little further beyond the famous quote I gave you earlier about the invisible hand. After "led by an invisible hand to promote an end which was no part of his intention" he goes on as follows "Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.

He goes on: "The statesman who should attempt to direct private people in what manner they ought to employ their capital would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it."

Smith may well have thought that the direction of such efforts ought to be left in the hands of providence, in which he undoubtedly believed and which his phrase the "invisible hand" refers to.

That is why there is an unconscious supposition in the neo-conservative free market case that interference with market forces is actually akin to blasphemy, for it an attempt to interfere with God's fundamental purposes. That is why the religious right in the United States is almost always to be found in alliance with free market libertarians, for they believe America itself is under providential direction and protection, and hence so must its economy be. "In God we trust," indeed. I believe this is a direct product of what might be termed Protestant individualism as well as American Exceptionalism.

This ideology of libertarian individualism was well summed up in the notorious remark of Margaret Thatcher that there is no such thing sa society.

Let me quote to you from a paper written by Professor Stefano Zamagni, professor of economics at Bologna university who was one of the Pope's principal advisers in the writing of that encyclical, *Caritas in Veritate*.

“From the very first,” says Zamagni, “the relationship between Catholicism and free-market capitalism has been characterized by structural ambivalence. On the one hand it is to Catholic thought, especially the Franciscan school of the 13th to the 15th century, that we owe the formulation of most of the analytical categories and no few economic institutions that would later serve the full assertion of the spirit of capitalism. On the other hand, the Catholic ethic essentially rejects the very mind-set of capitalism, what Max Weber called its Geist.”

He asserts that economic agents, acting in a market governed solely by the principle of exchange of equivalents, are led into strictly self-interested decision-making. With time, they tend to transfer this way of thinking to other social spheres, including those in which the public interest demands virtuous acts - a “virtuous” act being one he defines as one that not only is in the public interest but that is performed because it is for the common good. Thus “The market advances over the commodification and desertification of society.” Commodification, meaning to reduce the human things that matter to mere commodities that can be bought and sold; desertification, meaning laying waste to human culture to create a desert - and calling it a victory.

Thus Frederick von Hayek, the Austrian economist who became the chief guru of free market economics, called the very idea of social justice “absurd.” That’s exactly like saying “there is no such things as society” for it means there is no moral content to the relationship between the individual and the group because the group as such has no moral meaning. There is no such relational entity.

So to sum up, I believe Catholic ethics are necessarily centred on the common good, and that pursuit of the common good is incompatible with pure free market capitalism. You cannot pursue narrow self interest and the common good at the same time - they are inevitably contrary to one another.

Catholic Social Teaching has known this a long time. The principle of the common good is not merely a description of what is the case, like for instance the phrase “the public good” or the

“total good.” Public goods are understood to be services or facilities available to all that are in more or less unlimited supply, like the air we breathe. The total good is the sum of all the goods available. We are into utilitarian territory here - if we are not careful the greatest good of the greatest number becomes our only basis of moral judgement. The common good is more complex. It is not so much a sum, an addition, more a multiplication. It is an ethical ideal, which can tell people how to approach living as members of a good and just society, how they should govern their behaviour, as “persons in community,” towards themselves and each other.

The common good has been defined for us as “the whole network of social conditions which enable human individuals and groups to flourish and live a fully, genuinely human life... All are responsible for all, collectively, at the level of society or nation, not only as individuals.” Those are the words of Pope John Paul II. This concept of the common good dissolves the tension between selfishness and unselfishness, as it is in everyone’s interest to build up the common good by each person contributing to it. Those who serve others in this way automatically serve themselves.

Now it is fair to say that Adam Smith’s famous principles about the pursuit of self interest presumed not only that there would be physical capital - money - available to be invested in the market, but also social capital - trust, prudence, integrity - which would govern how people would behave morally.

Finance and industry is at last waking up to what this means: that free markets cannot function in a moral vacuum. Furthermore, as indicated in *Caritas in Veritate*, while free markets rely on social capital, they are not its source and can much more easily damage it than renew it. Thus they tend to cut off the branch in which they are sitting. At the point at which they have completely drained away social capital, trust in particular, they cannot operate at all. And one of the most spectacular symptoms of the 2008 crisis was the way operators in the major financial markets ceased to trust each other, and hence ceased to lend to each other.

So one way we could begin to correct the errors of the past would be by building in incentives that rewarded contributions to the nation’s social capital as well as to its economic capital. The idea of banks as generators of social capital is not exactly new, but has been lost sight of in the mad dash for profit. For instance, in Britain local bank managers were once pillars of the

community, observers of human frailty, repositories of local wisdom as well as encouragers of the good. They would be governors of schools, magistrates, church wardens, Rotarians and indeed Freemasons, institutions with a wide portfolio of charitable works. It was the City of London “Big Bang” of the late 1980s which saw them swept away, for it made them seem a mere burden on profit-making, or functionaries whose work could be done more efficiently by computers.

The financial crisis that shook the world in 2008 and thereafter was characterised by a wholesale disregard of the virtues that modern institutions absolutely have to depend on if they are to survive. Prudence and temperance were abandoned in the pursuit of profit; justice was ignored as millions of people suffered fearful consequences through no fault of their own; courage was absent as financial institutions ran for cover or foundered in a culture of “every man for himself”.

So the Catholic answer has to be that both institutions in their culture and their structures, and individuals in their conduct and their relationships, have to function so as to serve the common good and not to damage it. Partly that will come from the personal moral values of those involved. Partly it will come from the internal culture and corporate values of the institution concerned, especially the influence of good leadership; partly it will come from the whole of society and the way it communicates its basic values down the generations. But they are not self-generating. They need some moral framework of which they are not themselves the authors.

This is good work for the Church to be engaged in, and other faiths too. It needs that, as it needs the input of all the people who share the principles on which the common good is based. In other words the primary objective of Catholic Social Teaching is indeed the promotion of the common good. And thank goodness for that!

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