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VALUES IN GLOBAL ECONOMICS: THE RELATIONSHIP BETWEEN MORALS, RELIGION AND THE ECONOMIC ORDER

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ABSTRACT: The dominant system of global private economic ordering, grounded in classical liberal economic theory and based on robust private markets and a limited state regulatory role, has come under attack. That attack has been sharpened over the last several decades as the development of many poor states has failed to accelerate and as a consequence of the economic crisis of developed states that began to be felt in earnest in 2008. This paper considers one of the important criticism leveled by the Catholic Church—that the dominant system is likely to fail because it lacks a legitimate ethical framework. The criticism is important both because of the importance of the critic in global society and because of the growing consensus that values are important, even within economic analysis. For that purpose, the paper considers a recent revival of an article written by Benedict XVI in the 1980s when, as Cardinal Ratzinger, he suggested that the current dominant system would collapse for lack of a legitimate moral base, a base that could only be provided by Religion. This paper, in retrospect, has been hailed as prophetic. Yet, Cardinal Ratzinger was not alone in making this prediction in the 1980s—Fidel Castro argued that the dominant system would also be doomed to failure, but not for lack of morality as much as for its immorality. These critiques and predictions remain important as a window on the current struggle for control of the ideological framework on which global economic systems are ordered. The principal task of the paper, then, is not to argue the relative merits of each position, or even to opine as to the prophetic nature and missions of either man. Its more modest one of briefly exploring the then Cardinal's prophesy, in the context in which it was made, with a sidelong glance at the similar prophesy of the then leader of the Cuban state. The object is to consider the power and place—the epistemology—of values within economic theory in general as conceived in these prophesies, and the construction, role and power of values-generating and values-guarding institutions (or frameworks) in particular.

**Values in Global Economics:
The Relationship Between Morals, Religion and the Economic Order
Larry Catá Backer**

In the mid-1980s, the world was about to witness the collapse of the global system of totalitarian Soviet style economic and political organization in Europe, and the triumph of private economic globalization grounded in principles of classical economics. It is ironic, then, that just at that moment, two great alternatives to the rising model became crystallized. One was grounded in religion. The other on a morally based communal rationalist universalism. Both criticized the soon to be dominant theoretical framework for its “emptiness.” Both suggested that the emerging global economic order offered a framework—and process—but no substance, and no ethical or moral grounding. Without that grounding, they suggested, the long-term viability of the framework itself could be threatened. Both, thus, suggested that this focus on process and the values consequentialism inherent in that focus, the substantive vacuum, were at the heart of the ultimate failure of that system; a failure evident even at the moment before its global triumph in the following decades.

Today, one of the great proponents of these alternatives lies dying in a hospital complex somewhere in Cuba. The other is being hailed as a great prophet by certain of his adherents in the West. A recent newspaper article thus proclaimed:

Pope Benedict XVI was the first to predict the crisis in the global financial system, a “prophesy” dating to a paper he wrote when he was a cardinal, Italian Finance Minister Giulio Tremonti said.

“The prediction that an undisciplined economy would collapse by its own rules can be found” in an article written by Cardinal Joseph Ratzinger, who became pope in April 2005, Tremonti said yesterday at Milan’s Cattolica University.

German-born Ratzinger in 1985 presented a paper entitled “Market Economy and Ethics” at a Rome event dedicated to the Church and the economy. The future pope said a decline in ethics “can actually cause the laws of the market to collapse.” (Krause-Jackson & Totaro 2008).

The paper, subsequently published in 1986 and long slumbering, has been unearthed. And others followed the story for a time during the initial stages of the economic collapse of late 2008, with little on the context in which this prediction was first suggested.

Yet at the time he made this ‘prophesy,’ then Cardinal Ratzinger was as much concerned about the rise of liberation theology as a threat to the Church and its role in Latin America, as he was about alternatives to market theory. (Ratzinger 1984; Ratzinger 1986). Between the Church and its flock in the Americas stood economic theory, just as between the Church and its flock in Eastern Europe stood that great old enemy—Marxist economic theory. And indeed, as he spoke, and wrote, Benedict might well have had in mind the similar prophesies of Fidel Castro, also

delivered in a series of addresses to a wide audience in the mid 1980s, and also suggesting the inevitable collapse of the rising global economic framework for its immoral values. (Castro 1985; Castro 1985a; Castro 1985b).

My purpose today is not to argue the relative merits of each position, or even to opine as to the prophetic nature and missions of either man. Instead, my task is the more modest one of briefly exploring the then Cardinal's prophesy, in the context in which it was made, with a sidelong glance at the similar prophesy of the then leader of the Cuban state. My object is to consider the power and place—the epistemology—of values within economic theory in general as conceived in these prophesies, and the construction, role and power of values-generating and values-guarding institutions (or frameworks) in particular.

I.

Prophesy, it seems, requires a backwards view looking forward. And so Cardinal Ratzinger (Now Benedict—the name I will now use anachronistically here) starts at the end in order to see forward—for economics and for the role of the Church in that enterprise. And that end? He suggests that while the world focuses on the great political and ideological conflict between East and West, the economic tensions between North and South threaten to tear apart the cohesion of the human family” (Ratzinger 1986) as effectively as the military weapons of the United States and the Soviet Bloc. At the core of the great North-South struggles is the failure of economic systems—but principally the private market oriented system of the West—to “guarantee progress and even distributive justice.” (Ratzinger 1985). It is this failure that Benedict addresses—both as to its consequences for economic order and with a mind to its solution in a “new economic idea” (id.) necessarily grounded in “new moral impulses. It is at this point that a dialogue between Church and economy becomes both possible and necessary.” (Id.).

For this purpose, Benedict sets three economic systems in his sights, as well as a rebuttal to the existence of a possible fourth. The three principal economic systems include those grounded in classical economics, those positing a morally driven centralized economy grounded in post-colonial or liberation theory, and Marxist economic systems. Each he judges a failure, and for similar reasons. All three, he suggests, are siblings in the foundations of their failures, and each, in its own way, exacerbates the dysfunction of valueless economics in their power to provide the greatest good for the human family.

There is, for Benedict, a certain power in the fourth—religion “as a socio-political and hence as an economic-political factor.” (Id.). But even this is rejected, and bent, if somewhat ambiguously, to the service of greater goals. Benedict thus tells his audience that the “Church should not enter into dialogue here as a mere component in the economy, but rather in its own right as Church.” (Id.). He casts aside as a misreading, the objection, said to have arisen from out of the Second Vatican Council that the autonomy of the economic realm is to be respected “above all.” (Id.).

For Benedict, all three economic models share two fundamental failures in their philosophical foundations. The first is their shared determinism. The second is their “renunciation of ethics as

an independent entity relevant to the economy.” (Id.). The nature of the failure is evidenced by the distance between promise and delivery under any of these systems. “In fact, the misery in the world has increased in shocking measure during the last thirty years.” (Id.).

The determinism of classical economics is an irony. Benedict describes the classical system as one grounded in the ultimate goodness of free process and the impediment of ethics in the attainment of the good.

Following the tradition inaugurated by Adam Smith, this position holds that the market is incompatible with ethics because voluntary “moral” actions contradict market rules and drive the moralizing entrepreneur out of the game. For a long time, then, business ethics rang like hollow metal because the economy was held to work on efficiency and not on morality. The market's inner logic should free us precisely from the necessity of having to depend on the morality of its participants. The true play of market laws best guarantees progress and even distributive justice. (Id.).

That freedom from ethics hides a determinism that serves as a fatal limit to the success of this theory. The limitations are of two kinds. The first is a false freedom: “in which man is completely controlled by the binding laws of the market while believing he acts in freedom from them.” (Id.). The second is a false belief that process necessarily includes only the attainment of good, or that the workings of process systems like classical economics can only produce the good. “It presupposes that the free play of market forces can operate in one direction only, given the constitution of man and the world, namely, toward the self-regulation of supply and demand, and toward economic efficiency and progress.” (Id.).

Conceding that the “two presumptions are not entirely wrong” (id.), individual free choice and welfare maximization, standing alone, cannot be “universally applicable and correct, as is evident by the problems of today’s world economy.” (Id.). But the problem is more fundamental than that. Benedict suggests, in a slyly deconstructive manner, that the real problem is that choice is never free of the context in which it is made, personal, national, and the like, and that such contextualism necessarily distorts the freedom of choice and the vectors for the “good” of a process system.

It is becoming ever so clear that the development of the world economy has also to do with the development of the world community and with the universal family of man, and that the development of the spiritual powers of mankind is essential in the development of the world community. These spiritual powers are themselves a factor in the economy: the market rules function only when a moral consensus exists and sustains them. (Id.).

Yet, for all that, as mere process it produces but is hardly in a position to inevitably produce that which is good. It can as easily be directed toward other goals. That, of course, is the point that Castro and the non-aligned movement were making at the same time. (Castro 1985a).

And it is to this suggestion that Benedict next turns. Benedict sees something valuable in the liberation theology and related models and their reaction to the values of classical economics. He is drawn to the equivalence in such systems between sin and injustice, an equivalence made implicitly by Castro and explicitly by the followers of liberation theology. (Castro 1985b).

The result is that broad sectors of the Third World, which at first looked forward to development aid with great hopes, now identify the ground of their misery in the market economy, which they see as a system of exploitations, as institutionalised sin and injustice. For them, the centralized economy appears to be the moral alternative, toward which one turns with a directly religious fervor, and which virtually becomes the content of religion. (Id.).

Here there appears to be a place for morals within economic systems. The centralized economy would substitute just control and distributive justice for the individual desires of disaggregated economic actors. This is a moral project. Yet, the

examples adduced thus far are certainly not encouraging, but the hope that one could, nonetheless, bring this moral project to fruition is also not thereby refuted. It seems that if the whole were to be attempted on a stronger moral foundation, it should be possible to reconcile morality and efficiency in a society not oriented toward maximum profit, but rather to self-restraint and common service. Thus in this area, the argument between economics and ethics is becoming ever more an attack on the market economy and its spiritual foundations, in favor of a centrally controlled economy, which is believed now to receive its moral grounding.

But this is religious fervor turned to failure as well. (Ratzinger 1986). For under these systems, the individual is subsumed by the community. The egoism of the state substitutes for the aggregate egoisms of the individual. But egoism itself remains central to the system. Yet in a global order in which aggregate human welfare maximization is the goal, even a world of hundreds of economic actors—as centrally planned as they like—even these national aggregations impede the search for a universal framework of the good. It is true that the context in which the good is now considered is broader—but not yet broad enough. “An economic policy that is ordered not only to the good of the group — indeed, not only to the common good of a determinate state — but to the common good of the family of man demands a maximum of ethical discipline and thus a maximum of religious strength.” Id.

And thus the problem of determinism from an opposite extreme, a suggestion made clearer as Benedict considers what he views as the more extreme version of the liberation theology, post-colonialist, centralized economic model—that of the traditional Soviet style Marxist states, the “radical antithesis of the market economy.” (Id.). Here the problem of determinism is the inverse of that under classical economics—the individual ceases to exist. “Marxism, too, is deterministic in nature and that it too promises a perfect liberation as the fruit of this determinism. For this reason, it is a fundamental error to suppose that a centralized economic system is a moral system in contrast to the mechanistic system of the market economy.” (Id.).

This is, for Benedict, a more dangerous and extreme form of determinism than are systems based on notions of classical economics:

“for at least the latter recognizes the realm of the subjective and considers it as the place of the ethical. The former, on the other hand, totally reduces becoming and history to economy, and the delimitation of one's own subjective realm appears as resistance to the laws of history, which alone are valid, and as a reaction against progress, which cannot be tolerated. Ethics is reduced to the philosophy of history, and the philosophy of history degenerates into party strategy.” (Id.).

And thus, determinism is flawed precisely because it reduces human freedom in the service of freedom. In the one case, its focus on individual freedom occults both the limits imposed by the rules under which such freedom is exercised, and, tied to the individual, also reduces to insignificance the power of the system to seek to maximize communal and global welfare as distinct from the aggregated choices of individuals. Marxist and centrally planned economies suffer the opposite problem—the elimination of ethics in the service of the state. This is an aggregation that obliterates both the individual and the global community in favor of an aggregate of states that are neither the most basic nor the broadest component of humanity.

What is missing in both is an ethics, now more clearly understood as a meta framework through which the good can be attained at any given level of choice. And thus the second, and for Benedict the more important failing of all three systems—“the fact that determinism includes the renunciation of ethics as an independent entity relevant to the economy.” (Id.). And it is a failing not merely systemically, but also for the way in which it reduces religion, and with it the Church, to a passive and reflective element of something greater. “Religion is traced back to economics as the reflection of a particular economic system and thus, at the same time, as an obstacle to correct knowledge, to correct action — as an obstacle to progress, at which the natural laws of history aim.” (Id.). Religion, indeed, is reduced to a reflection of a passing reality that must be overcome.

For the rest, the entire system lives in fact from the apotheosis of the central administration in which the world spirit itself would have to be at work, if this thesis were correct. That this is a myth in the worst sense of the word is simply an empirical statement that is being continually verified. And thus precisely the radical renunciation of a concrete dialogue between Church and economy which is presupposed by this thought becomes a confirmation of its necessity. (Id.).

All three systems, then, avoid or reject any framework of ethics existing above the process or other framework rules within which they are constituted. And it is this inversion that both reduces Religion to irrelevance and its assertion of a role in framing a meta system of morals to guide in the attainment of the “good” to valuelessness. Morality is the after-the-fact set of justifications for the systems they serve.

And the consequence for the Church, and Religion, as Benedict suggested, is to be reduced to yet another player in the game of dominance of economic systems. Benedict notes the way both

classical economics and Marxism are adroitly reduced the universalist aims of Religion to mere competitor or appendage. And he notes the power of the argument that religion tends to serve the dominant economic master—Calvinism and classical economics for example. He also notes the power of the charge that Catholicism, in particular, “includes no corresponding education to freedom and to the self-discipline necessary to it, favoring authoritarian systems instead — is doubtless even today still very widespread, and much in recent history seems to speak for it.” (Id.). Yet, the answer does not lie in classical economics, which “we can no longer regard so naively . . . as the salvation of the world.” Rather, the difficulties posited by economic criticism suggest a greater clarity in the role of the Church, rather than in the abandonment of its mission.

And thus Benedict comes to his prophesy: Religion without an embrace of the economic sphere, the sphere of social justice is as incomplete, and flawed, as economics without the universalist moral framework that can only be provided by Religion. “It is becoming an increasingly obvious fact of economic history that the development of economic systems which concentrate on the common good depends on a determinate ethical system, which in turn can be born and sustained only by strong religious convictions. *Conversely, it has also become obvious that the decline of such discipline can actually cause the laws of the market to collapse.*” (Id.; emphasis supplied). Religion provides the only framework through which the right goals, at the right levels of generality, can be framed under any system of economic organization. “Today we need a maximum of specialized economic understanding, but also a maximum of ethos so that specialized economic understanding may enter the service of the right goals. Only in this way will its knowledge be both politically practicable and socially tolerable.” Id.

And so Benedict has traveled from the separation of economics and religion to the necessity of religious oversight of the framework through which economics can be correctly understood and deployed. The search for the good is paramount: and religion serves as the only true superior source of the values and morals through which the good can be known. The execution of that good, of course, can be left to the technically proficient, as can the development of those process rules and alternatives. That is of less concern to the Church.

But values must frame all, and the Church must frame values. Benedict starts from an observation of the world—that there is more misery now than there had been in the past. He posits the cause as the systems deliberately imposed on individuals, states and the globe each suggesting that provides the key to the alleviation of misery, distributive justice and maximum welfare for individuals and the state. He then suggests the causes of that failure: first the determinism inherent in all economic theory not subordinated to universal systems of values, and second the consequence of that determinism as the renunciation of the independence of ethics or its relevance to economic problems. He argues that when religion, and the universal ethical moral principles it serves is reduced to a consequence of the economic systems under which it operates, ethics itself becomes deterministic. Yet the very failure of any of the three systems considered to alleviate the misery of the many serves to prove the flaws in this inversion. And the continued failure to recognize the fundamental governing importance of religion, and through religion ethics, to serve as a structuring element of economics, will inevitably cause the a-moral laws of the markets to collapse.

II.

Globalization, and globalized economic systems, then, require a global framework. That framework is essential if one is to avoid the distortions of the sources of parochial frameworks. Benedict surveys the current crop of economic frameworks and finds little but distortion. Each of the systems is tied to the local from which it means to generalize its experiences and insights into universals; none of them truly proceeds from the global down. Where liberation theology and Castro would posit the supremacy of the state as representative of the people, and seek to derive moral frameworks from the attainment of the good of those people, Benedict posits the supremacy of morals (and religion as the only true guardian of such morals) as representative of humanity beyond the individual and the state. Classical economics protects the individual; liberation theology and Soviet Marxism the state. But moral values safeguard the global community. Thus, morals and the moral framework suggest both content (what is the good), the frame of reference (with respect to which actors is the good to be considered), and the organization (who is to safeguard the understanding of the good so conceived) of the human communities which both religion and economic system are meant to serve.

Still, there is a small fly in the ointment. Benedict's own solution rests on a great presumption—the presumption of faith in the divine supremacy of the moral system over which he serves in a guardian capacity. It is to the battle among the keepers of universalisms—religious communities, rationalist communities and others—that the values basis of economics, whether classical, liberation theological or Marxist will be contested. Even liberation theology continues to resist utter elimination in Latin America. (Backer 2008). But that is a fight for another day. "The consequence for the traditional state system appears to be the same, whatever the form of globalization embraced, from the most benign to the most aggressive, and whatever the character of opposition to globalization endorsed. The attachment to a particular nation-state bounded by a finite territory no longer appears to be the critical factor in the debate about globalization." (Backer 2006).

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