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Beyond the Culture of Cutthroat Competition

The Pope Takes the World by Surprise

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Introduction

POPE BENEDICT XVI'S SOCIAL encyclical, *Caritas in Veritate*, took the economic world by surprise.¹ While readers on both the right and the left were waiting for more statements about capitalism and socialism, they found instead a challenge to Catholics and other people of good will toward a profoundly new way of understanding business enterprise. The Pope did not approve the status quo, but in what he called the social *magisterium*, addressed the global dimension of the social question in the midst of a very serious economic crisis, displaying a surprising

1. All references to *Caritas in Veritate* will be given parenthetically in the text.

understanding of what has been happening in the contemporary international economic scene.

Benedict recognizes the disconnect between the Word of the Gospel and the current economic culture. Jesus told us his Gospel is not about building bigger barns (or bigger banks). It is about giving rather than receiving. Speaking at the Synod of the Word in the fall of 2008 as he was preparing the encyclical, the Pope reminded us that the Word of God is the true reality and that the disappearance of hope along with the money in the crash of 2008–2009 was the result of building our lives on sand.

The economy that collapsed was based on “barn-building,” on individual and corporate self-interest. Its marks included a scandalous divide between salaries of CEOs and workers in their companies. Deregulation and privatization around the world left the market and human services to wolves. Hedge funds and other oddly named financial institutions speculated in complex derivatives that not even the regulators who remained could understand. Banks pursued reckless policies and were saved by massive government bailouts. People were owned by their credit cards, by debt at exorbitant interest rates. Environmental concerns were sacrificed. Thousands of people lost homes and jobs in the United States and the situation of people to the South became desperate. The media, which might have informed the citizenry, were a part of the conglomerates. The wild credit card spending and shopping sprees among consumers led one commentator to say that men over fifty would never need to buy anything again except for fruits and vegetables, pasta and olive oil, underwear and socks.

The government’s response to the financial crisis, at least initially, was to enrich the very people and institutions that caused the problem in the first place and to continue the same approach: “What is needed is more of the same, more free market, more free trade, more credit for lending at interest.” Not even mentioned was all the extra assistance to multinational corporations that they take for granted—more subsidized agriculture, more freedom and power for lobbyists to the U.S. Congress for corporate interests which often hurt the poor. It is hard to believe that, even today, politicians can get away with denigrating any reference to a better approach by crying, “Socialism! Communism!”

For believers, our economics has been upside down. More of the same is not the answer. According to the encyclical, we actually have to expect the businessperson, as well as the politician who must provide a

strong juridical framework for finance and economics, to live according to the Gospel. It may be very difficult for the Catholic business man or woman who is accustomed to business as usual, where profit is king, to embrace the papal plan, but Benedict XVI insists that our vocation as persons even on a practical level is a transcendent one. In *Caritas in Veritate*, he reminds us that there is a link between the wild spending of some while others do not have enough. Quoting John Paul II in *Centesimus Annus*, he asks us again to change our lifestyles: “What is needed is an effective shift in mentality which can lead to the adoption of new life-styles in which the quest for truth, beauty, goodness and communion with others for the sake of common growth are the factors which determine consumer choices, savings and investments.”

The Reception of *CARITAS IN VERITATE*

As Catholic Workers in Houston we are sharply aware of international economics as we receive in hospitality the immigrants and refugees whom business rejects, those who have been uprooted from their homes by the extremes of the global market and the military defense of it. In addition to receiving the immigrants who leave their countries because they cannot find work to sustain their families, we care for and help support many people injured on the job, some completely paralyzed from falling from scaffolds, some in wheelchairs but with the use of their arms, some able to walk again but not able to work. At Casa Juan Diego we experience what the poor experience, as we feed the hungry, clothe the naked, give hospitality to the stranger, and care for the sick and injured in our two clinics with volunteer doctors. Our perspective on economics and politics is interwoven with the life and suffering of the migrant.

God brought Dorothy Day and Peter Maurin together to form the Catholic Worker movement at a time when the world was facing an economic crash similar to today's. As they received in hospitality and in soup kitchens the refugees from the economic system during the 1930s, in their newspaper they critiqued robber barons, banks, the financial system, the free-market ideology known in their time as *laissez-faire* capitalism, and the state of constant preparation for war to protect the economic gains. Dorothy Day criticized the appeal to acquisitiveness that dominates advertisement. Dorothy and Peter endorsed subsidiarity and quoted the papal encyclicals to do so. Peter Maurin tried to convince

readers of *The Catholic Worker* that it is more important for a person to become better than to become “better off.” At a time when Communists were trying very hard to recruit all the workers to their cause, Dorothy and Peter presented their newspaper and their vision of the movement as an alternative to both capitalism and Communism, one based on the Gospel, on Catholic social teaching, and the lives of the saints.

Unlike Dorothy and Peter, who understood very well exactly what was going on in economics, some Christians have sadly been patriots-in-arms in promoting the machinations of the worst of the “marketeers” in recent times, attempting to equate Catholic ethics with no-limits capitalism. It was really quite bold, fearless actually, of the Pope to speak so strongly against the powers that be, with so many Catholics involved in the market—what had become a greed operation. It will take courage and good research for those who will try to implement the ideas in *Caritas in Veritate*, as they face the monopoly of multinationals around the world. Some of these same patriots-in-arms for unfettered markets have come out strongly against *Caritas in Veritate*. They continued a tradition of a handful of prominent Catholic writers who have refused to accept Catholic social teaching. William Buckley made the first famous public refusal with his “Mater, si, Magistra, no,” response to John XXIII’s *Mater et Magistra*, thus establishing the tradition of cafeteria Catholicism.

Some years ago Michael Novak, video-recorded on C-Span television, remarked that those who objected to the enormous salaries of CEOs while the masses of workers in their companies received a pittance should remember that the sin of envy was condemned in the book of Deuteronomy. Given that perspective, it is perhaps not surprising that Novak undermined *Caritas in Veritate* as soon as it came out in *First Things Online*. He rather amazingly said that the encyclical lacked a description of capitalism’s “tangible benefits to the poor” and that therefore the work of the staff supporting the Pope was poor and inadequate. It has always been difficult to see any tangible benefits for the poor following the theory of the economy of wealth raising all boats, as the rich got richer and more boats sank, but with the devastating effect of the financial crisis around the world it is hard to fathom that anyone would want to enter the fray with the same failed system.

Those who endorse what is known around the world as neo-liberalism promote an economic ideology which advocates greed and crushing others, all the while presenting that system as helping others.

Chesterton once noted that it may be very difficult for modern people to imagine a world in which men are not generally admired for covetousness and crushing their neighbors, but he assured them that such strange patches of an earthly paradise do really remain on earth.

George Weigel claimed that half of the *Caritas in Veritate* was written by someone else—he described the parts he did not like as out of tune like the warbling of an untuned piccolo. This was an especially offensive reference when describing the writing of an accomplished musician like Benedict. Perhaps Weigel’s contention that the bad half of the encyclical must have been written by the staffers at the Pontifical Council for Justice and Peace was related to statements from that Council in response to the financial crisis. Not long before the encyclical was published, Cardinal Renato Martino, president of that Pontifical Council was quoted as saying: “The logic of the market up to now has been that of maximum earnings, of making investments to obtain the greatest possible profit. And this, according to the social teaching of the Church, is immoral.” The Holy Father himself wrote: “Once profit becomes the exclusive goal, if it is produced by improper means and without the common good as its ultimate end, it risks destroying wealth and creating poverty” (*Caritas*, 21).

Another group, rather than confront the papacy, simply declares that the Pope agrees with them, that he loves unfettered finance, that even St. Thomas Aquinas loved and promoted their type of economics. Writing in the *Wall Street Journal*, Fr. Robert Sirico of the Acton Institute libertarian/Calvinist think tank attempted in this way to appropriate the Pope’s writing in *Caritas in Veritate* by claiming that it stood squarely in the “classical liberal tradition”—in other words along Sirico’s libertarian lines. He went so far as to insist that the Pope’s writing was similar even to the secular (neo-liberal/libertarian) F. A. Hayek of the Austrian school of economics. Sirico does not mention the Chicago School, perhaps because their professors and students, while promoting free capitalism, free markets, etc., endorsed regulation and pointed out before the current crisis that it was lacking. (We have always been aware of the Chicago School of economics because Mark attended classes in a building next to where Milton Friedman was teaching when he studied at the University of Chicago for his master’s degree in social work.)

Neo-conservative refusers complained that Benedict didn’t say enough about the importance of wealth creation. Those critics neglected

to mention section 60 of the encyclical where he does speak of wealth creation, but a wealth creation which would help the poor, not just the rich: “In the search for solutions to the current economic crisis, development aid for poor countries must be considered a valid means of creating wealth for all.” They didn’t, perhaps, understand or accept his words: “Without the perspective of eternal life, human progress in this world . . . runs the risk of being reduced to the mere accumulation of wealth.” He said the market is not, and must not become, the place where the strong subdue the weak and that the economy must not be seen as just an engine for wealth creation but be directed toward the common good.

Upon reflection, one can understand why the “marketeters” are so much in opposition to the Pope, because their ideological approach to economics and politics is so different from that of Church leadership and teaching. These men had been at the forefront of expanding and exporting an economics which sought ever more profit through lower wages, privatization of services, and lack of support for the local communities, all controlled by the corporations who fund their work in “think tanks.”

With this encyclical, it becomes clear that the work in economics and politics of the refusers of Catholic social teaching was simply a part of the corporate culture. Their chant that it is not necessary to listen to the Pope on questions of economics and war because they are covered under prudential judgment rather than faith and morals emphasizes the split between modern culture and the Gospel. The publication in *First Things*, of all places, of the ringing endorsement by 68 evangelicals of *Caritas in Veritate* gives hope that some Protestant economists, university presidents, and professors at least will enthusiastically study and implement the social teaching of this outstanding encyclical.

What Do Gratuitousness, Gift, and Reciprocity Have to Do with Economics?

Benedict XVI endorses creative, alternative enterprises that have emerged in recent years beyond, as he says, the for-profit and non-profit methods that have been in existence, indicating that they can “no longer do full justice to reality or offer practical direction for the future.” He mentions a number of types of enterprises as examples in a “broad new composite reality embracing the private and public spheres, one which does not exclude profit, but instead considers it a means for achieving human and

social ends.” He presents the idea that ideas like gift and reciprocity can be included within businesses.

Writing in the *National Review*, Weigel questioned the Pope’s proposal that such kind words as “gift” might be included in any discussion of economics, suggesting that the language in those sections of *Caritas in Veritate* is so “clotted and muddled” as to suggest a confused sentimentality of precisely the sort the encyclical deplors among those who detach charity from truth. It would appear from this comment that this group of refusers is so out of tune with Catholic social teaching that talk of social responsibility, of gift, of gratuitousness, of reciprocity, of communion in business and economics is incomprehensible.

Weigel’s response to *Caritas in Veritate* reminds us of an experience we had when we were giving a talk on Catholic social teaching to a study group at one of the parishes in Houston. Before the meeting started, we spoke to the leader about some options for people to live out their faith in areas regarding economics—ways to implement the preferential option for the poor. Presented with the option to buy a half-a-million-dollar house or a one-million-dollar one (theirs is a rich parish!), we said, why couldn’t the Catholic believer stay in his quarter-of-a-million-dollar house and use the extra money to buy houses for the poor in a low-income neighborhood? Or why couldn’t other Catholic believers purchase a fifteen-thousand or twenty-thousand-dollar car instead of buying a thirty-, forty- or fifty-thousand-dollar car?

The leader, while sympathetic, felt he had to explain. “Mark, you don’t understand! You don’t understand! They see this as virtue. These people have worked hard and prayed hard and lived right all their lives. They have a right to enjoy the fruit of their efforts. God is rewarding them for faithfulness and hard work.” As for those who do not have the half-a-million-dollar choice in this scenario the clear implication is that there is something wrong. Why don’t they have the same blessings? What did they do wrong? Why are their lives filled with failures and poverty? This Calvinistic thinking, combined with that of Adam Smith and his contemporary disciples, is very influential among Catholics today. Cardinal Francis George of Chicago pointed out that, although we may not be aware of it, all of us in the United States (and perhaps a few other countries as well) are Calvinists, including Catholics.

The approach of *Caritas in Veritate* is very different from an economy run on rugged individualism, cutthroat competition, self-interest,

and consumers who feel they must at all costs purchase the latest fashion and style. Perhaps that is why George Weigel found it so difficult to be in tune with the encyclical. Since it is so difficult for you to imagine the use of the words *gift*, *gratuitousness*, and *reciprocity* in the area of economics, Professor Weigel, let us explain what Pope Benedict is saying in one example he gives. When he says that the Church's social doctrine holds that authentically human social relationships of friendship, solidarity, and reciprocity can also be conducted within economic activity, when he speaks of gratuitousness, of "gift," he mentions a specific economic model. That practical example, developed in the Focolare Movement throughout the world, is the Economy of Communion, which was launched in 1991 when Focolare founder Chiara Lubich visited Focolare communities in Brazil. During that visit Chiara was disturbed to find a whole ring of shantytowns in a circle surrounding the city, the *favelas* where people lived in abject poverty, "a crown of thorns" around the city. Those involved with the Focolare in Brazil included not only professionals and the middle class but many of these poor. After that visit, in order to help meet the material needs of that local community, Chiara Lubich proposed a new economic model in which for-profit businesses could generate additional jobs and voluntarily share profits in three ways. One third of the profits would go to those in need, one third to build up the civilization of love, and one third into the business for continued development.

The EoC spread throughout the globe through the Focolare Movement. The EoC has brought together 754 companies worldwide that are committed to pursuing higher goals than just profit. The authors came to know the Focolare Movement in Texas and have interviewed people involved in Economy of Communion businesses. They are an inspiration. Presently there are businesses in various production and service sectors on every continent following this model, most of them small and medium sized, but some with more than one hundred employees.

EoC businesses commit themselves to building sound relationships with employees, customers, regulatory agencies, the general public, and the environment. These new relationships include those who receive aid, who are truly active participants in the project. Sharing one's needs with dignity and sincerity is appreciated as a contribution to increase the life of communion, and many renounce the help just as soon as they reach a bare minimum of economic independence. The Economy

of Communion is seen as an economic expression of the spirituality of communion of the Focolare Movement. The Economy of Communion represents a very different model and a very different concept from what is commonly referred to as “business ethics.”

Not Just Any Ethics Whatsoever

When a local Catholic university invited one of the Catholic patriots-in-arms of *laissez-faire* capitalism to speak at the opening of their business ethics center some years ago, we felt we had to speak. We could not stand by when the speaker represented the refusers or re-writers of Catholic social teaching. We wrote in the *Houston Catholic Worker* that inviting Michael Novak to speak on business ethics was like asking Hugh Hefner to speak in defense of marriage. Various professors at the university were quite surprised, but came to dialogue with us.

The refusers have a number of think tanks that supposedly address “business ethics.” Weigel went so far as to call his corporation “The Ethics and Public Policy Center.” That center, the American Enterprise Institute that employs Michael Novak, and Fr. Sirico’s Acton Institute have organized seminars and “retreats” to present policies that favor large corporations and the wealthier few as “ethics.” These men’s public identification as Catholics has led some to believe that their ideology represented the teaching of the Church. Nothing could be further from the truth.

The Pope indicates that he is aware of much talk about ethics, that various centers for ethics and business, ethics and the economy, have been developed, but that the term *ethics* in some of these ventures has lost its meaning, or could mean almost anything—even decisions and choices contrary to justice and authentic human welfare. He insists that the economy needs ethics in order to function correctly—not, however, any ethics whatsoever, but rather an ethics that is “people-centered.”

In the majority of university economics classes, where what Pope Pius XII called the “superstition” of the invisible hand of the market has reigned, monopolistic business practices have not been challenged. Too often the invisible hand of the market has had a knife in it for the poor. The knife, wielded around the world, is invisible until researchers expose corporations’ practices.

Benedict XVI teaches that much in an authentic ethics depends on the underlying system of morality and that it is here that the Church’s

social doctrine can make a specific contribution in economics. The two pillars of this teaching, he says in *Caritas in Veritate*, are the inviolability of the human person and the transcendent value of natural moral norms. He immediately and daringly applies these principles to business practices:

When business ethics prescind from these two pillars, it inevitably risks losing its distinctive nature and it falls prey to forms of exploitation; more specifically, it risks becoming subservient to existing economic and financial systems rather than correcting the dysfunctional aspects. Among other things, it risks being used to justify the financing of projects that are in reality unethical. (*Caritas*, 45)

Benedict places the whole human project in the perspective of a pilgrim of the absolute living in this world working for justice and the development of peoples without becoming ensnared by the fashions of the moment.

The Stakeholders, Not Just Stockholders

One of the “new” proposals in *Caritas in Veritate* would be a major change for firms on Wall Street. Businesses have a responsibility, says the Pope, to all the stakeholders who contribute to the life of the business, not simply to shareholders (those who buy stocks). The stakeholders are the workers, the suppliers, the consumers, the natural environment, and the community of reference. In Western culture, the concept is strong that people who have done well and helped build our churches have a right to what they have earned or to their tremendous income from the stock market. The idea of sharing with the other stakeholders is foreign to the way our business climate is oriented.

The practice of basing all decisions on what will please the stockholders has caused immeasurable harm to stakeholders in various types of business and industries. Using only stock market indicators to run businesses that affect the lives of human persons directly is, as the Pope said, unethical. Measuring everything by a related ambiguous figure called the Gross Domestic Product and “growth” is not a human measure at all.

An outrageous example in recent decades of disregarding stakeholders as the global market has expanded has been the massive devel-

opment of *maquiladoras* or outsourcing by multinational companies for cheap labor with no provision for helping the local community. Strict enforcement against labor organizing, what the Pope calls the deregulation of the labor market, has created miserable working conditions and under-subsistence pay for poor workers in many countries. At the Houston Catholic Worker, speaking with the immigrants and refugees who come to our doors, we have been aware since the 1980s of the practices of the *maquiladoras*, where companies have ignored most of the stakeholders where the work is performed, with negative impacts not only on the workers, but on the local communities. The workers, whose salaries did not provide enough to support their families, often have been forced to migrate, while the multinationals that operated the factories and their stockholders made unusually high profits.

During the 1990s, for example, immigrants from Honduras who came to take refuge at Casa Juan Diego told us that they made \$14.00 a week in a *maquiladora*. They could not pay the rent and feed their families on that income. (One said that his father, in an older, more established job, made \$28.00 a week and he could survive.) Some workers who came to the United States could not believe the high prices here for the products they had sewn or assembled for a pittance. Less publicized than bank and business failures in the current crisis has been the human suffering that has come from turning everything into a for-profit business, from the field of medicine to privatized prisons, as stakeholders are disregarded.

Health care has been a scandalous example of this practice in the past decades as medicine has been transformed from a profession into a big business. Hospitals, health insurance companies, and pharmaceutical companies depend on the stock market. The decisions based on their rating each day in the market—will people buy their stocks or dump them that day in favor of a more profitable venture?—determine the practical life-and-death outcome for patients. When the encyclical especially mentions the rigid assertion of the right to intellectual property in the field of health care, one immediately thinks of the pharmaceutical companies with their patented expensive medicines unavailable to the poor of the world. In the United States, however, it seems that even to mention that the development of medicines needed by everyone should not even be on the stock market would lead to accusations of “Socialism! Communism!” and even political instability.

The complaints and debates around health care reform regarding rationing health care often have neglected to point out that it is already rationed by insurance companies, hospitals, and pharmaceutical companies. The key stakeholders, the patients, seem to be the last to be considered. This is especially true of the uninsured and the poor. Examples of suffering and human tragedy in the “business” of health care are everywhere. Houston, Texas, is home to one of the greatest medical centers in the world. One of the wealthiest hospitals with several major branches in Houston sends poor people to Casa Juan Diego, the Houston Catholic Worker, to have their prescriptions filled. When people go to the emergency room, all hospitals are required by law to treat them for their illness. The hospital staff examines them and makes a diagnosis, but apparently do not provide medicine for those who do not have insurance. Even though in its original foundation this large hospital system is designated as a charity hospital, people frequently arrive at our door to bring us prescriptions from that hospital, begging for help with their medicine. This is certainly one way for this major hospital to score well on the stock market. Can you imagine Casa Juan Diego, funded solely by donations, where we have to decide each day what help we can offer the poor vs. massive hospital systems? We are fortunate in Houston, however, to also have a somewhat unique county health system that serves the poor, including immigrants. While it is often difficult for people to navigate the paper work and documents proving their living situation and income, at least the possibility of care exists.

One of the worst examples of the direct harmful effect on people of running businesses on the basis of the stockholders without reference to the stakeholders is the for-profit prison business. Here one finds the very opposite of everything Benedict recommends in his encyclical, but especially the violation of the dignity of the human person. More and more prisons across the United States are being run by private companies for profit, on the stock market. They provide a commercial motive for imprisoning more and more people. This booming business has been a windfall for the stockholders, at the expense of poor people caught in this trap. The huge expense for taxpayers of building prisons and keeping people in jail for extended periods of time has somehow turned into profit for stockholders, and their income on the stock market is counted as a part of the “growth” or GDP of the United States.

The private prison business includes detention centers for immigrants, who are no longer jailed for a few days until they can be deported, but rather for months and years. When the custom of releasing Central American immigrants on their own recognizance was ended in 2005, the massive building program for prisons to detain them began. As prisons for immigrants grew rapidly, stockholders for detention centers were enriched greatly, and they became richer as more immigrants were arrested and jailed. The more arrests, the richer stockholders became. Those who are held because of not having proper documentation have broken the civil law, not the criminal law, but they are held in a punitive situation together with robbers and murderers, with windfall profits on the stock market.

Former Vice President of the United States Dick Cheney was actually indicted by a grand jury in South Texas for conflict of interest in having many millions invested in these prisons at the same time as he was pushing legislation for imprisoning more immigrants. These detention centers are promoted by Congressional representatives as sure money makers for local communities. Congress approved a budget for the 2008 fiscal year, providing funding for a 4,500-bed increase in the immigration detention beds to 32,000 beds from the prior year's 27,500. Private corporations, including the Corrections Corporation of America and the Geo Group, bid against each other to win contracts to operate new prisons.

The same companies run the prisons and the detention centers. They have their own lobbyists to increase profits and to ensure that the commercial prison system continues. The Associated Press reported in 2007 that the Corrections Corporation of America spent 2.5 million dollars lobbying the federal government. CCA's lobbying of the government that year focused on three major areas: 1) lobbying to privatize the Bureau of Indian Affairs prison system, 2) lobbying against the Public Safety Act that would outlaw private prisons, and 3) lobbying against the Private Prison Information Act that would give the public the same access to private prison information as public prisons. Some even speak of kickbacks to judges who imprison more and more people to fill the privatized jails.