

October 2019

VOLUME X, ISSUE X

PEGASUS

A NEWSLETTER FOR THE CAUX ROUND TABLE FOR MORAL CAPITALISM
NETWORK LOOKING AT BUSINESS ABOVE THE CLUTTER AND CONFETTI



Pegasus

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Introduction

One of my favorite economic philosophers is Thorstein Veblen, whose works I first encountered in Mr. Whelan's economics class when I was 17.

I know. You're thinking, "You took an economics class in high school?"

Well, yes, indeed. And it kindled my interest to the degree that I went on to minor in economics in college. Imagine!

In Mr. Whelan's class, we studied the theories of all the best-known economic thinkers: Adam Smith, Jeremy Bentham, David Ricardo, Karl Marx, John Maynard Keynes and Rawls. All of them were interesting, but the one that caught my fancy was Veblen. Of all the great economists, he alone perceived the virtually genetic underpinnings of all economic systems, ranging from hunter-gatherers, through American Indian traditions, monarchies, empires, feudalism, right up to modern capitalism. Marx had it right: social hierarchies at any time reflect the economic system of the day, in his case, industrial capitalism of the mid-19th century. What Veblen might respond is that societies from early on have all reflected the pursuit of what he called "conspicuous consumption" — material evidence of one's status as one of the leaders of your day. Among Indians of the Pacific Northwest, that conspicuous consumption took the form of the potlatch — giant feasts in which the host showed off his wealth by giving everything away. In our day, conspicuous consumption governs everything, from what clothes are "proper" and which are not, to where to vacation, dine and how to decorate one's house.

Veblen led a scattered life, teaching at many colleges. A native of Wisconsin, he ended up living much of his life in southern Minnesota. His most famous book is *The Theory of the Leisure Class*, published early in the 20th century, but several more followed, all elaborating his theory in an astonishingly complex, literary prose — think Proust writing about money and wealth. Before his death a 100 years ago, he wrote papers predicting the 1929 Stock Market crash, whose 90th anniversary we are "celebrating" in 2019. If he were alive today, he would have predicted the 2008 market crash, as well as the one beginning to rear its ugly head today, all of them driven by a nearly uncontrollable pursuit of wealth and its accouterments not just for the sake of power, but for the sake of status. I am a member of the leisure class and you, poor proletariat, serf and slave, are not.

Richard Broderick

Director of External Affairs

Caux Round Table for Moral Capitalism

Cast a Cold Eye on Life on Death

by

Richard Broderick

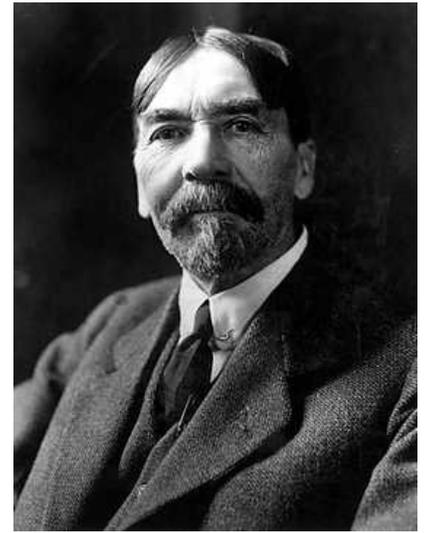
It's a startling statement, written in the prelapsarian style of his books and letters, he penned this instruction shortly before his death. "It is also my wish to be cremated...as expeditiously and inexpensively as may be and that no tombstone, slab, elegy, tablet or monument of my name or nature be set up in my memory or name in any place or any time."

And there you have it. In proleptic words that foreshadow Yeats' great elegy calling for a simple limestone tombstone inscribed with the phrase, "Cast a cold eye on life, on death. Horsemen pass by," Thorstein Veblen (whose first name, incidentally, is Norwegian for "Thor's Stone") consigns his life and his work to posterity. He is no more, but his works will forever live on.

In his first and most famous book, *The Theory of the Leisure Class*, Veblen, who originally attended Carlton College Academy to take a degree making him a Lutheran minister, was noted for his command of English, as well as up to 26 other languages. In the book, he laid out his theory of conspicuous consumption in a preface and 14 highly detailed chapters, some 80,000 words in all, written as alluded to above, in a literary style that is

decidedly Proustian in its employment of long sentences consisting of numerous parenthetical clauses. Here, for example, is a typical paragraph from the first page of the book's preface:

"Partly for reasons of convenience, partly because there is less chance of misapprehending the sense of phenomena that are familiar to all men, the data employed to illustrate and enforce the argument have by preference, been drawn from everyday life, by direct observation or through common notoriety, rather than from more recondite sources at a further remove. It is hoped that no one will find his sense of literary or scientific fitness offended by this recourse to homely facts or by what may at times appear to be a callous freedom in handling vulgar phenomena or phenomena whose intimate place in men's life has sometimes shielded them from the impact of economic discussion."



Thorstein Veblen

And so on, through a highly discursive elaboration of his ground-breaking thesis: the almost genetic predisposition found in one form or another in every society, from hunter-gatherers at the dawn of history, through city states, empires, kingdoms and finally, contemporary times of the urge to engage in conspicuous consumption in order to establish one's position in the leisure class; that is, the small class of individuals whose ascendant identity depends upon engaging in work that has no practical or industrial value. Veblen's revolutionary insight led him not only to explain such phenomena as the precarious state of women who were part of the leisure class, all the way to the clothing worn by members of occupations that underscore the definition of "proper." This included priestly vestments designed specifically to preclude any hint of physical labor – to liveried servants whose costumes identify them as essentially "owned" by their masters.

But his insight not only led him to identify the phenomena of conspicuous consumption, but, during the course of his life, predict with uncanny foresight everything from the rise of fascism to the perilous status of European Jews to capitalism's inevitable cycles of boom-and-bust as the accumulation of wealth in the hands of what today we would call the upper one-tenth of one percent of society, leading inevitably to splurges of speculation, followed by economic collapse. Published in 1899, *The Theory of the Leisure Class* is as contemporary today as it was when it first appeared. All we need to do is look at the so-called dot.com bust to the 2008 economic crisis to the growth of aggrieved nationalism that has bequeathed to the world the election of Donald Trump and the rise of neo-fascist leaders in Hungary, Brazil, Turkey and elsewhere.

No one, it is safe to say, no philosopher or economist or social observer, has ever come close to the range and almost miraculous accuracy of Veblen's insights. A native of southwest Wisconsin where he grew up on a Norwegian style, self-sufficient farm, he ended his life living on a similar farm in Southern Minnesota where he supported himself and the friends who drifted in and out the premises on the surplus product of the farm.



Thorstein Veblen Farmstead

In 1929, broke, ignored and all but isolated from the academic world where he struggled to find a place, he died. But, it is safe to say that now, 120 years after the publication of his book, his ideas and uncanny insights about human behavior and the structure of society are as germane to contemporary life as they were when he first came to public attention at the turn of the 20th century.

Thymos by Stephen B. Young

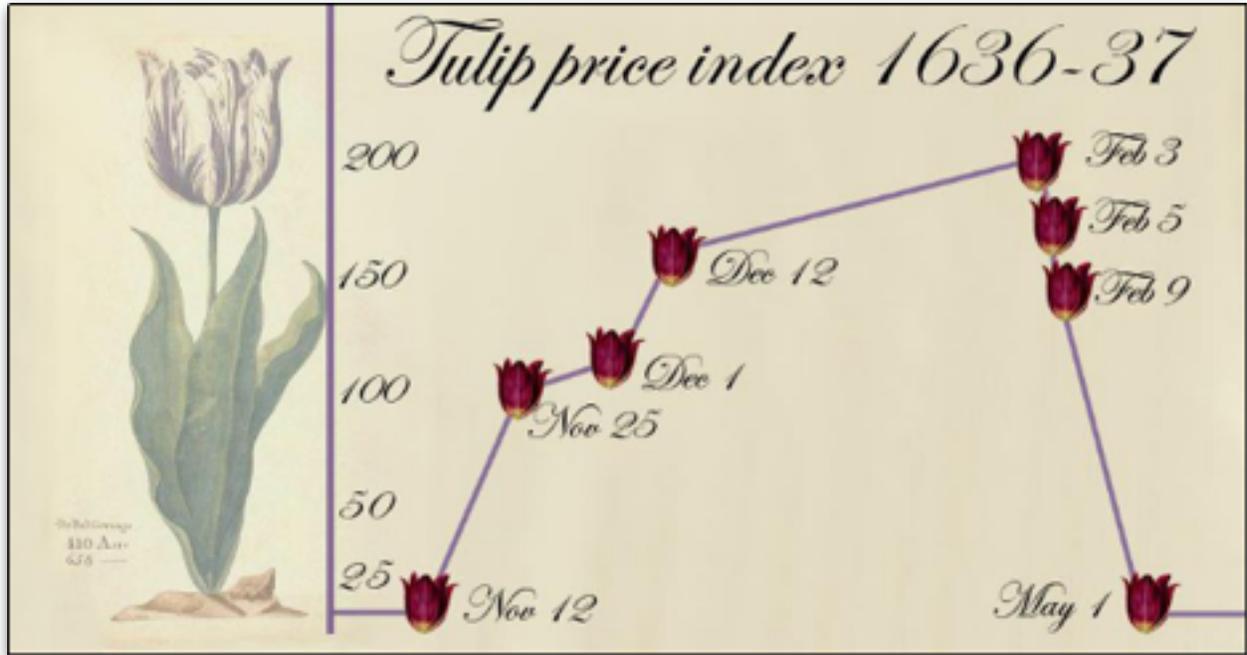
Thorsten Veblen, as noted by Richard Broderick above, discerned a motivation resting on insecurity in many people which provoked them to spend in modes of conspicuous consumption with a view towards their enhancing their status vis-a-vis others. Concern for one's status reflects sensitivity to one's identity. In a recent book, my colleague Francis Fukuyama linked concern for validating the social value of an identity with Thymos – the Greek work for a third part of the human soul, an engine of personality different from both our rational mind and our desires. (Identity, Francis Fukuyama; Farrar, Straus 2018)

Thymos is our need for others to recognize our worth. We need that recognition in order to flourish as persons. One effective way to gain recognition is to have wealth or at least the appearance of wealth. Thus, the motivation to consume conspicuously. We chase what is materialistic. And so, in 1929, many Americans put money in the stock market to buy shares to make more money, even borrowing to do so. But in late October of that year, the New York Stock Market crashed. Investors ran out of confidence and realized that market prices would not grow forever. They started to sell. Prices dropped. Loans used to buy stock were called as prices of the shares securing the loans dropped and more shares had to be sold.

The following front page of the New York Times encapsulates the market crash of 1929 and reminds us of the Great Depression that followed, a depression which, in Europe, paved the way for the rise of Adolf Hitler in Germany and World War II. One thing always leads to another



Since the invention of capitalism in Holland around the turn of the 16th century, finance has been the system's Achilles heel. Money chasing money becomes destabilizing. The first great collapse of financial markets was the tulip mania in Holland in February 1637. Assets in the form of tulip bulbs were overpriced and buyers could not sustain such excessive values.



We saw the same dynamic at work in Wall Street in 1929 and globally in 2008. In the interim, there were very many credit-induced booms, followed by busts.

This year is also the anniversary of the fall of the Berlin Wall, which led rather quickly to the collapse of the Soviet Union and the end of Communism as a credible ideal for humanity.



Like prices of tulip bulbs in 1637 and stocks in 1929, Soviet Communism rose, peaked and then collapsed. Why?

I would suggest the collapse of Communism resulted from its failure to deliver thymos to its subjects. Communism delivers materialism, providing a rough equality of relative poverty for all. Its ability to meet the needs of thymos is restricted to providing positions in the hierarchy of officialdom. There is a limit on how many senior positions can be created and the intruding demands of ideological, even theological, conformity eliminates individualism, making it nearly impossible for individuals to feel worthwhile as just themselves.

It seems that our need for thymos cannot be satisfied with only material goods. As Christian scripture put it, “Man does not live by bread alone.”

Two comments, one predicting the collapse of Communism and one looking back on its failure, both highlight its relentless materialism as causing its fall from grace. Following are excerpts from Alexander Solzhenitsyn’s 1978 speech at Harvard University and from Pope John Paul II’s 1991 Encyclical *Centesimus Annus*.

The insights of *Centesimus Annus* were incorporated into our Principle for Business, a recognition that also in capitalism, money and materialism are insufficient for the sustainable success of a human ecosystem.

Alexandr Solzhenitsyn

A World Split Apart

Delivered 8 June 1978, Harvard University

I am sincerely happy to be here on the occasion of the 327th commencement of this old and most prestigious university. My congratulations and very best wishes to all of today's graduates.

Harvard's motto is "VERITAS." Many of you have already found out, and others will find out in the course of their lives, that truth eludes us if we do not concentrate our attention totally on it's pursuit. But even while it eludes us, the illusion of knowing it still lingers and leads to many misunderstandings. Also, truth seldom is pleasant; it is almost invariably bitter. There is some bitterness in my today's speech too, but I want to stress that it comes not from an adversary, but from a friend.

...

A decline in courage may be the most striking feature which an outside observer notices in the West in our days. The Western world has lost its civil courage, both as a whole and separately, in each country, each government, each political party, and, of course, in the United Nations. Such a decline in courage is particularly noticeable among the ruling groups and the intellectual elite, causing an impression of loss of courage by the entire society. Of course, there are many courageous individuals, but they have no determining influence on public life.

Political and intellectual bureaucrats show depression, passivity, and perplexity in their actions and in their statements, and even more so in theoretical reflections to explain how realistic, reasonable, as well as intellectually and even morally worn it is to base state policies on weakness and cowardice. And decline in courage is ironically emphasized by occasional explosions of anger and inflexibility on the part of the same bureaucrats when dealing with weak governments and with countries not supported by anyone, or with currents which cannot offer any resistance. But they get tongue-tied and paralyzed when they deal with powerful governments and threatening forces, with aggressors and international terrorists.

Should one point out that from ancient times declining courage has been considered the beginning of the end?

When the modern Western states were created, the principle was proclaimed that governments are meant to serve man and man lives to be free and to pursue happiness. See, for example, the American Declaration of Independence. Now, at last, during past decades technical and social progress has permitted the realization of such aspirations: the welfare state.

Every citizen has been granted the desired freedom and material goods in such quantity and of such quality as to guarantee in theory the achievement of happiness -- in the morally inferior sense of the word which has come into being during those same decades. In the process, however, one psychological detail has been overlooked: the constant desire to have still more things and a still better life and the struggle to attain them imprint many Western faces with worry and even depression, though it is customary to conceal such feelings. Active and tense competition fills all human thoughts without opening a way to free spiritual development.

The individual's independence from many types of state pressure has been guaranteed. The majority of people have been granted well-being to an extent their fathers and grandfathers could not even dream about. It has become possible to raise young people according to these ideals, leaving them to physical splendor, happiness, possession of material goods, money, and leisure, to an almost unlimited freedom of enjoyment. So who should now renounce all this? Why? And for what should one risk one's precious life in defense of common values and particularly in such nebulous cases when the security of one's nation must be defended in a distant country? Even biology knows that habitual, extreme safety and well-being are not advantageous for a living organism. Today, well-being in the life of Western society has begun to reveal its pernicious mask.

...

I have spent all my life under a Communist regime and I will tell you that a society without any objective legal scale is a terrible one indeed. But a society with no other scale than the legal one is not quite worthy of man either. A society which is based on the letter of the law and never reaches any higher is taking very scarce advantage of the high level of human possibilities. The letter of the law is too cold and formal to have a beneficial influence on society. Whenever the tissue of life is woven of legalistic relations, there is an atmosphere of moral mediocrity, paralyzing man's noblest impulses. And it will be simply impossible to stand through the trials of this threatening century with only the support of a legalistic structure.

In today's Western society the inequality has been revealed [in] freedom for good deeds and freedom for evil deeds. A statesman who wants to achieve something important and highly

constructive for his country has to move cautiously and even timidly. There are thousands of hasty and irresponsible critics around him; parliament and the press keep rebuffing him. As he moves ahead, he has to prove that each single step of his is well-founded and absolutely flawless. Actually, an outstanding and particularly gifted person who has unusual and unexpected initiatives in mind hardly gets a chance to assert himself. From the very beginning, dozens of traps will be set out for him. Thus, mediocrity triumphs with the excuse of restrictions imposed by democracy.

It is feasible and easy everywhere to undermine administrative power and in fact it has been drastically weakened in all Western countries. The defense of individual rights has reached such extremes as to make society as a whole defenseless against certain individuals. It's time, in the West -- It is time, in the West, to defend not so much human rights as human obligations.

Destructive and irresponsible freedom has been granted boundless space. Society appears to have little defense against the abyss of human decadence, such as, for example, misuse of liberty for moral violence against young people, such as motion pictures full of pornography, crime, and horror. It is considered to be part of freedom and theoretically counterbalanced by the young people's right not to look or not to accept. Life organized legalistically has thus shown its inability to defend itself against the corrosion of evil.

...

The press too, of course, enjoys the widest freedom. (I shall be using the word press to include all media.) But what sort of use does it make of this freedom?

Here again, the main concern is not to infringe the letter of the law. There is no true moral responsibility for deformation or disproportion. What sort of responsibility does a journalist or a newspaper have to his readers, or to his history -- or to history? If they have misled public opinion or the government by inaccurate information or wrong conclusions, do we know of any cases of public recognition and rectification of such mistakes by the same journalist or the same newspaper? It hardly ever happens because it would damage sales. A nation may be the victim of such a mistake, but the journalist usually always gets away with it. One may -- One may safely assume that he will start writing the opposite with renewed self-assurance.

Because instant and credible information has to be given, it becomes necessary to resort to guesswork, rumors, and suppositions to fill in the voids, and none -- and none of them will ever be rectified; they will stay on in the readers' memories. How many hasty, immature, superficial, and misleading judgments are expressed every day, confusing readers, without

any verification. The press -- The press can both simulate public opinion and miseducate it. Thus, we may see terrorists described as heroes, or secret matters pertaining to one's nation's defense publicly revealed, or we may witness shameless intrusion on the privacy of well-known people under the slogan: "Everyone is entitled to know everything." But this is a false slogan, characteristic of a false era. People also have the right not to know and it's a much more valuable one. The right not to have their divine souls [stuffed with gossip, nonsense, vain talk.] A person who works and leads a meaningful life does not need this excessive burdening flow of information.

Hastiness and superficiality are the psychic disease of the 20th century and more than anywhere else this disease is reflected in the press. Such as it is, however, the press has become the greatest power within the Western countries, more powerful than the legislative power, the executive, and the judiciary. And one would then like to ask: By what law has it been elected and to whom is it responsible? In the communist East a journalist is frankly appointed as a state official. But who has granted Western journalists their power, for how long a time, and with what prerogatives?

...

Without any censorship, in the West fashionable trends of thought and ideas are carefully separated from those which are not fashionable; nothing is forbidden, but what is not fashionable will hardly ever find its way into periodicals or books or be heard in colleges. Legally your researchers are free, but they are conditioned by the fashion of the day. ... This gives birth to strong mass prejudices, to blindness, which is most dangerous in our dynamic era. There is, for instance, a self-deluding interpretation of the contemporary world situation. It works as a sort of a petrified armor around people's minds. Human voices from 17 countries of Eastern Europe and Eastern Asia cannot pierce it. It will only be broken by the pitiless crowbar of events.

...

It is almost universally recognized that the West shows all the world a way to successful economic development, even though in the past years it has been strongly disturbed by chaotic inflation. However, many people living in the West are dissatisfied with their own society. They despise it or accuse it of not being up to the level of maturity attained by mankind. A number of such critics turn to socialism, which is a false and dangerous current.

I hope that no one present will suspect me of offering my personal criticism of the Western system to present socialism as an alternative. Having experienced -- Having experienced applied socialism in a country where the alternative has been realized, I certainly will not speak for it. The well-known Soviet mathematician Shafarevich, a member of the Soviet

Academy of Science, has written a brilliant book under the title Socialism; it is a profound analysis showing that socialism of any type and shade leads to a total destruction of the human spirit and to a leveling of mankind into death. Shafarevich's book was published in France -- Shafarevich's book was published in France almost two years ago and so far no one has been found to refute it. It will shortly be published in the United States.

...

The turn introduced by the Renaissance evidently was inevitable historically. The Middle Ages had come to a natural end by exhaustion, becoming an intolerable despotic repression of man's physical nature in favor of the spiritual one. Then, however, we turned our backs upon the Spirit and embraced all that is material with excessive and unwarranted zeal. This new way of thinking, which had imposed on us its guidance, did not admit the existence of intrinsic evil in man nor did it see any higher task than the attainment of happiness on earth. It based modern Western civilization on the dangerous trend to worship man and his material needs. Everything beyond physical well-being and accumulation of material goods, all other human requirements and characteristics of a subtler and higher nature, were left outside the area of attention of state and social systems, as if human life did not have any superior sense.

...

However, in early democracies, as in the American democracy at the time of its birth, all individual human rights were granted because man is God's creature. That is, freedom was given to the individual conditionally, in the assumption of his constant religious responsibility. Such was the heritage of the preceding thousand years. Two hundred or even fifty years ago, it would have seemed quite impossible, in America, that an individual could be granted boundless freedom simply for the satisfaction of his instincts or whims. Subsequently, however, all such limitations were discarded everywhere in the West; a total liberation occurred from the moral heritage of Christian centuries with their great reserves of mercy and sacrifice. State systems were -- State systems were becoming increasingly and totally materialistic. The West ended up by truly enforcing human rights, sometimes even excessively, but man's sense of responsibility to God and society grew dimmer and dimmer. In the past decades, the legalistically selfish aspect of Western approach and thinking has reached its final dimension and the world wound up in a harsh spiritual crisis and a political impasse. All the glorified technological achievements of Progress, including the conquest of outer space, do not redeem the 20th century's moral poverty which no one could imagine even as late as in the 19th Century.

As humanism in its development became more and more materialistic, it made itself increasingly accessible to speculation and manipulation by socialism and then by communism. So that Karl Marx was able to say that "communism is naturalized humanism."

This statement turned out not to be entirely senseless. One does see the same stones in the foundations of a despiritualized humanism and of any type of socialism: endless materialism; freedom from religion and religious responsibility, which under communist regimes reach the stage of anti-religious dictatorships; concentration on social structures with a seemingly scientific approach. This is typical of the Enlightenment in the 18th Century and of Marxism. Not by coincidence all of communism's meaningless pledges and oaths are about Man, with a capital M, and his earthly happiness. At first glance it seems an ugly parallel: common traits in the thinking and way of life of today's West and today's East? But such is the logic of materialistic development.

The interrelationship is such, too, that the current of materialism which is most to the left always ends up by being stronger, more attractive, and victorious, because it is more consistent. Humanism without its Christian heritage cannot resist such competition. We watch this process in the past centuries and especially in the past decades, on a world scale as the situation becomes increasingly dramatic. Liberalism was inevitably displaced by radicalism; radicalism had to surrender to socialism; and socialism could never resist communism. The communist regime in the East could stand and grow due to the enthusiastic support from an enormous number of Western intellectuals who felt a kinship and refused to see communism's crimes. And when they no longer could do so, they tried to justify them. In our Eastern countries, communism has suffered a complete ideological defeat; it is zero and less than zero. But Western intellectuals still look at it with interest and with empathy, and this is precisely what makes it so immensely difficult for the West to withstand the East.

I am not examining here the case of a world war disaster and the changes which it would produce in society. As long as we wake up every morning under a peaceful sun, we have to lead an everyday life. There is a disaster, however, which has already been under way for quite some time. I am referring to the calamity of a despiritualized and irreligious humanistic consciousness.

To such consciousness, man is the touchstone in judging everything on earth -- imperfect man, who is never free of pride, self-interest, envy, vanity, and dozens of other defects. We are now experiencing the consequences of mistakes which had not been noticed at the beginning of the journey. On the way from the Renaissance to our days we have enriched our experience, but we have lost the concept of a Supreme Complete Entity which used to restrain our passions and our irresponsibility. We have placed too much hope in political and social reforms, only to find out that we were being deprived of our most precious possession: our spiritual life. In the East, it is destroyed by the dealings and machinations of

the ruling party. In the West, commercial interests suffocate it. This is the real crisis. The split in the world is less terrible -- The split in the world is less terrible than the similarity of the disease plaguing its main sections.

If humanism were right in declaring that man is born only to be happy, he would not be born to die. Since his body is doomed to die, his task on earth evidently must be of a more spiritual nature. It cannot be unrestrained enjoyment of everyday life. It cannot be the search for the best ways to obtain material goods and then cheerfully get the most of them. It has to be the fulfillment of a permanent, earnest duty so that one's life journey may become an experience of moral growth, so that one may leave life a better human being than one started it. It is imperative to review the table of widespread human values. Its present incorrectness is astounding. It is not possible that assessment of the President's performance be reduced to the question how much money one makes or of unlimited availability of gasoline. Only voluntary, inspired self-restraint can raise man above the world stream of materialism.

It would be retrogression to attach oneself today to the ossified formulas of the Enlightenment. Social dogmatism leaves us completely helpless in front of the trials of our times. Even if we are spared destruction by war, our lives will have to change if we want to save life from self-destruction. We cannot avoid revising the fundamental definitions of human life and human society. Is it true that man is above everything? Is there no Superior Spirit above him? Is it right that man's life and society's activities have to be determined by material expansion in the first place? Is it permissible to promote such expansion to the detriment of our spiritual integrity?

If the world has not come to its end, it has approached a major turn in history, equal in importance to the turn from the Middle Ages to the Renaissance. It will exact from us a spiritual upsurge: We shall have to rise to a new height of vision, to a new level of life where our physical nature will not be cursed as in the Middle Ages, but, even more importantly, our spiritual being will not be trampled upon as in the Modern era.

This ascension will be similar to climbing onto the next anthropologic stage. No one on earth has any other way left but -- upward.

JOHN PAUL II
HOLY FATHER
CENTESIMUS ANNUS
ENCYCLICAL LETTER
TO HIS VENERABLE BROTHER BISHOPS
IN THE EPISCOPATE
THE PRIESTS AND DEACONS
FAMILIES OF MEN AND WOMEN RELIGIOUS
ALL THE CHRISTIAN FAITHFUL AND TO
ALL MEN AND WOMEN OF GOOD WILL

3. I now wish to propose a "re-reading" of Pope Leo's Encyclical by issuing an invitation to "look back" at the text itself in order to discover anew the richness of the fundamental principles which it formulated for dealing with the question of the condition of workers. But this is also an invitation to "look around" at the "new things" which surround us and in which we find ourselves caught up, very different from the "new things" which characterized the final decade of the last century. Finally, it is an invitation to "look to the future" at a time when we can already glimpse the third Millennium of the Christian era, so filled with uncertainties but also with promises — uncertainties and promises which appeal to our imagination and creativity, and which reawaken our responsibility, as disciples of the "one teacher" (cf. Mt 23:8), to show the way, to proclaim the truth and to communicate the life which is Christ (cf. Jn 14:6).

II. TOWARDS THE "NEW THINGS" OF TODAY

12. The commemoration of *Rerum novarum* would be incomplete unless reference were also made to the situation of the world today. The document lends itself to such a reference, because the historical picture and the prognosis which it suggests have proved to be surprisingly accurate in the light of what has happened since then.

This is especially confirmed by the events which took place near the end of 1989 and at the beginning of 1990. These events, and the radical transformations which followed, can only be explained by the preceding situations which, to a certain extent, crystallized or institutionalized Leo XIII's predictions and the increasingly disturbing signs noted by his Successors. Pope Leo foresaw the negative consequences — political, social and economic — of the social order proposed by "socialism", which at that time was still only a social philosophy and not yet a fully structured movement. It may seem surprising that "socialism" appeared at the beginning of the Pope's critique of solutions to the "question of the working class" at a time when "socialism" was not yet in the form of a strong and powerful State, with all the resources which that implies, as was later to happen. However, he

correctly judged the danger posed to the masses by the attractive presentation of this simple and radical solution to the "question of the working class" of the time — all the more so when one considers the terrible situation of injustice in which the working classes of the recently industrialized nations found themselves.

Two things must be emphasized here: first, the great clarity in perceiving, in all its harshness, the actual condition of the working class — men, women and children; secondly, equal clarity in recognizing the evil of a solution which, by appearing to reverse the positions of the poor and the rich, was in reality detrimental to the very people whom it was meant to help. The remedy would prove worse than the sickness. By defining the nature of the socialism of his day as the suppression of private property, Leo XIII arrived at the crux of the problem.

His words deserve to be re-read attentively: "To remedy these wrongs (the unjust distribution of wealth and the poverty of the workers), the Socialists encourage the poor man's envy of the rich and strive to do away with private property, contending that individual possessions should become the common property of all...; but their contentions are so clearly powerless to end the controversy that, were they carried into effect, the working man himself would be among the first to suffer. They are moreover emphatically unjust, for they would rob the lawful possessor, distort the functions of the State, and create utter confusion in the community".³⁹ The evils caused by the setting up of this type of socialism as a State system — what would later be called "Real Socialism" — could not be better expressed.

13. Continuing our reflections, and referring also to what has been said in the Encyclicals *Laborem exercens* and *Sollicitudo rei socialis*, we have to add that the fundamental error of socialism is anthropological in nature. Socialism considers the individual person simply as an element, a molecule within the social organism, so that the good of the individual is completely subordinated to the functioning of the socio-economic mechanism. Socialism likewise maintains that the good of the individual can be realized without reference to his free choice, to the unique and exclusive responsibility which he exercises in the face of good or evil. Man is thus reduced to a series of social relationships, and the concept of the person as the autonomous subject of moral decision disappears, the very subject whose decisions build the social order. From this mistaken conception of the person there arise both a distortion of law, which defines the sphere of the exercise of freedom, and an opposition to private property. A person who is deprived of something he can call "his own", and of the possibility of earning a living through his own initiative, comes to depend on the social machine and on those who control it. This makes it much

more difficult for him to recognize his dignity as a person, and hinders progress towards the building up of an authentic human community.

In contrast, from the Christian vision of the human person there necessarily follows a correct picture of society. According to *Rerum novarum* and the whole social doctrine of the Church, the social nature of man is not completely fulfilled in the State, but is realized in various intermediary groups, beginning with the family and including economic, social, political and cultural groups which stem from human nature itself and have their own autonomy, always with a view to the common good. This is what I have called the "subjectivity" of society which, together with the subjectivity of the individual, was cancelled out by "Real Socialism".

If we then inquire as to the source of this mistaken concept of the nature of the person and the "subjectivity" of society, we must reply that its first cause is atheism. It is by responding to the call of God contained in the being of things that man becomes aware of his transcendent dignity. Every individual must give this response, which constitutes the apex of his humanity, and no social mechanism or collective subject can substitute for it. The denial of God deprives the person of his foundation, and consequently leads to a reorganization of the social order without reference to the person's dignity and responsibility.

The atheism of which we are speaking is also closely connected with the rationalism of the Enlightenment, which views human and social reality in a mechanistic way. Thus there is a denial of the supreme insight concerning man's true greatness, his transcendence in respect to earthly realities, the contradiction in his heart between the desire for the fullness of what is good and his own inability to attain it

15. ... The State must contribute to the achievement of these goals both directly and indirectly. Indirectly and according to the principle of subsidiarity, by creating favourable conditions for the free exercise of economic activity, which will lead to abundant opportunities for employment and sources of wealth. Directly and according to the principle of solidarity, by defending the weakest, by placing certain limits on the autonomy of the parties who determine working conditions, and by ensuring in every case the necessary minimum support for the unemployed worker.

23. Among the many factors involved in the fall of oppressive regimes, some deserve special mention. Certainly, the decisive factor which gave rise to the changes was the violation of the rights of workers. It cannot be forgotten that the fundamental crisis of systems claiming to express the rule and indeed the dictatorship of the working class began with the great

upheavals which took place in Poland in the name of solidarity. It was the throngs of working people which foreswore the ideology which presumed to speak in their name. On the basis of a hard, lived experience of work and of oppression, it was they who recovered and, in a sense, rediscovered the content and principles of the Church's social doctrine.

Also worthy of emphasis is the fact that the fall of this kind of "bloc" or empire was accomplished almost everywhere by means of peaceful protest, using only the weapons of truth and justice. While Marxism held that only by exacerbating social conflicts was it possible to resolve them through violent confrontation, the protests which led to the collapse of Marxism tenaciously insisted on trying every avenue of negotiation, dialogue, and witness to the truth, appealing to the conscience of the adversary and seeking to reawaken in him a sense of shared human dignity.

24. The second factor in the crisis was certainly the inefficiency of the economic system, which is not to be considered simply as a technical problem, but rather a consequence of the violation of the human rights to private initiative, to ownership of property and to freedom in the economic sector. To this must be added the cultural and national dimension: it is not possible to understand man on the basis of economics alone, nor to define him simply on the basis of class membership. Man is understood in a more complete way when he is situated within the sphere of culture through his language, history, and the position he takes towards the fundamental events of life, such as birth, love, work and death. At the heart of every culture lies the attitude man takes to the greatest mystery: the mystery of God. Different cultures are basically different ways of facing the question of the meaning of personal existence. When this question is eliminated, the culture and moral life of nations are corrupted. For this reason the struggle to defend work was spontaneously linked to the struggle for culture and for national rights.

26. ...The crisis of Marxism does not rid the world of the situations of injustice and oppression which Marxism itself exploited and on which it fed.

32. ...The modern business economy has positive aspects. Its basis is human freedom exercised in the economic field, just as it is exercised in many other fields. Economic activity is indeed but one sector in a great variety of human activities, and like every other sector, it includes the right to freedom, as well as the duty of making responsible use of freedom. But it is important to note that there are specific differences between the trends of modern society and those of the past, even the recent past. Whereas at one time the decisive factor of production was the land, and later capital — understood as a total complex of the instruments of production — today the decisive factor is increasingly man himself, that is,

his knowledge, especially his scientific knowledge, his capacity for interrelated and compact organization, as well as his ability to perceive the needs of others and to satisfy them.

33. However, the risks and problems connected with this kind of process should be pointed out. The fact is that many people, perhaps the majority today, do not have the means which would enable them to take their place in an effective and humanly dignified way within a productive system in which work is truly central. They have no possibility of acquiring the basic knowledge which would enable them to express their creativity and develop their potential. They have no way of entering the network of knowledge and intercommunication which would enable them to see their qualities appreciated and utilized. Thus, if not actually exploited, they are to a great extent marginalized; economic development takes place over their heads, so to speak, when it does not actually reduce the already narrow scope of their old subsistence economies. They are unable to compete against the goods which are produced in ways which are new and which properly respond to needs, needs which they had previously been accustomed to meeting through traditional forms of organization. Allured by the dazzle of an opulence which is beyond their reach, and at the same time driven by necessity, these people crowd the cities of the Third World where they are often without cultural roots, and where they are exposed to situations of violent uncertainty, without the possibility of becoming integrated. Their dignity is not acknowledged in any real way, and sometimes there are even attempts to eliminate them from history through coercive forms of demographic control which are contrary to human dignity.

35. ...In the struggle against such a system, what is being proposed as an alternative is not the socialist system, which in fact turns out to be State capitalism, but rather a society of free work, of enterprise and of participation. Such a society is not directed against the market, but demands that the market be appropriately controlled by the forces of society and by the State, so as to guarantee that the basic needs of the whole of society are satisfied.

The Church acknowledges the legitimate role of profit as an indication that a business is functioning well. When a firm makes a profit, this means that productive factors have been properly employed and corresponding human needs have been duly satisfied. But profitability is not the only indicator of a firm's condition. It is possible for the financial accounts to be in order, and yet for the people — who make up the firm's most valuable asset — to be humiliated and their dignity offended. Besides being morally inadmissible, this will eventually have negative repercussions on the firm's economic efficiency. In fact, the purpose of a business firm is not simply to make a profit, but is to be found in its very existence as a community of persons who in various ways are endeavouring to satisfy their basic needs, and who form a particular group at the service of the whole of society. Profit

is a regulator of the life of a business, but it is not the only one; other human and moral factors must also be considered which, in the long term, are at least equally important for the life of a business.

We have seen that it is unacceptable to say that the defeat of so-called "Real Socialism" leaves capitalism as the only model of economic organization. It is necessary to break down the barriers and monopolies which leave so many countries on the margins of development, and to provide all individuals and nations with the basic conditions which will enable them to share in development. This goal calls for programmed and responsible efforts on the part of the entire international community. Stronger nations must offer weaker ones opportunities for taking their place in international life, and the latter must learn how to use these opportunities by making the necessary efforts and sacrifices and by ensuring political and economic stability, the certainty of better prospects for the future, the improvement of workers' skills, and the training of competent business leaders who are conscious of their responsibilities.

36. ...It is not wrong to want to live better; what is wrong is a style of life which is presumed to be better when it is directed towards "having" rather than "being", and which wants to have more, not in order to be more but in order to spend life in enjoyment as an end in itself.⁷⁵ It is therefore necessary to create 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.

40. ...Here we find a new limit on the market: there are collective and qualitative needs which cannot be satisfied by market mechanisms. There are important human needs which escape its logic. There are goods which by their very nature cannot and must not be bought or sold. Certainly the mechanisms of the market offer secure advantages: they help to utilize resources better; they promote the exchange of products; above all they give central place to the person's desires and preferences, which, in a contract, meet the desires and preferences of another person. Nevertheless, these mechanisms carry the risk of an "idolatry" of the market, an idolatry which ignores the existence of goods which by their nature are not and cannot be mere commodities.

42. Returning now to the initial question: can it perhaps be said that, after the failure of Communism, capitalism is the victorious social system, and that capitalism should be the goal of the countries now making efforts to rebuild their economy and society? Is this the model which ought to be proposed to the countries of the Third World which are searching for the path to true economic and civil progress?

The answer is obviously complex. If by "capitalism" is meant an economic system which recognizes the fundamental and positive role of business, the market, private property and the resulting responsibility for the means of production, as well as free human creativity in the economic sector, then the answer is certainly in the affirmative, even though it would perhaps be more appropriate to speak of a "business economy", "market economy" or simply "free economy". But if by "capitalism" is meant a system in which freedom in the economic sector is not circumscribed within a strong juridical framework which places it at the service of human freedom in its totality, and which sees it as a particular aspect of that freedom, the core of which is ethical and religious, then the reply is certainly negative.

The Marxist solution has failed, but the realities of marginalization and exploitation remain in the world, especially the Third World, as does the reality of human alienation, especially in the more advanced countries. Against these phenomena the Church strongly raises her voice. Vast multitudes are still living in conditions of great material and moral poverty. The collapse of the Communist system in so many countries certainly removes an obstacle to facing these problems in an appropriate and realistic way, but it is not enough to bring about their solution. Indeed, there is a risk that a radical capitalistic ideology could spread which refuses even to consider these problems, in the a priori belief that any attempt to solve them is doomed to failure, and which blindly entrusts their solution to the free development of market forces.



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