

Chapter 6

The Encyclical *Caritas in Veritate*, Christian Tradition and the Modern World

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6.1 Introduction

In 1895, Georg Jellinek published the first edition of his book *The Declaration of the Rights of Man and of the Citizen*.¹ Its content gave rise to a heated debate. Jellinek argued that both the 1789 French Declaration of the Rights of Man and of the Citizen and the analogous bills in the United States (as well as similar declarations issued in the Western world) were ultimately the product of the struggles to safeguard religious freedom. “The idea of legally establishing the unrenounceable, innate and sacred rights of man did not have a political but a religious origin. What until then had been considered the work of the revolution is, in reality, a product of the Protestant Reformation and its ensuing conflicts.” (Jellinek 2006, 57) Although the scope of this chapter does not permit a full investigation of this thesis and the many interesting questions it raises, I would like to focus here on one question that Jellinek’s work entails: “Is there a substantial continuity between the Christian tradition and the modern world? Or, on the contrary, is modernity the result of a rupture and discontinuity with this Christian tradition?”²

¹I have used the 2006 edition of Georg Jellinek’s *Die Erklärung der Menschen- und Bürgerrechte: Ein Betrag zur Modernen Verfassungsgeschichte*, third posthumous edition, revised and completed by Walter Jellinek, 1919. VDM Dr. Müller, publisher, Saarbrücken.

²Trutz Rendtorff discusses the work of Jellinek in light of this question in Rendtorff (1987). The following reflections on Max Weber and Jellinek are indebted to Rendtorff.

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When Max Weber wrote *The Protestant Ethic and the Spirit of Capitalism*,³ he was greatly influenced by Jellinek. Weber argued that it is not just material and economic but also religious forces that change the world and that the latter played a significant role in the evolution of Western industrial society (see Rendtorff 1987, 98).

Pope Benedict XVI's encyclical, although not drawing explicitly upon the work of Max Weber, accepts many of his main points. While its line of argument is not easy to grasp in a single reading,⁴ we will argue here that in *Caritas in Veritate*, Benedict XVI seeks to highlight elements of the Christian tradition that can be of value for the modern economy. The goal of this economy, according to the Pope, must be the integral development of mankind.

Caritas in Veritate is the longest social encyclical in history and, in terms of content, one of the richest. It offers many suggestions that could generate a change in the way of thinking in the area of social doctrine and lead to innovative points of view.

In this introduction to the encyclical, I would like to stress two of these points that seem particularly important to me. The first is the so-called anthropological orientation of the Church's social doctrine stressed by *Caritas in Veritate* (cf. Campanini 2009, 25ff; Cordes 2009). Indeed, Benedict affirms that "the social question has been radically converted into an anthropological question" (Benedict XVI 2009, 75).⁵ An excessive reliance on mathematics and the exaggerated use of econometric methods in economics have at times obscured the obvious human meaning of work, exchange, and other economic phenomena as a consequence of the methodological shift of economics toward an empirical science (cf. Bauer 2009, 87). This shift reflects the desire to create an "exact" science modeled on the natural sciences in an area where this is not possible without a methodological reduction, that is, in the sphere of the human person, of his or her social and economic activity, of integral human development, etc. Economics studies economic reality as it is, not necessarily as it ought to be. However, human reality is much richer than anonymous aggregate forces of demand and supply. Personal motivations, wishes, and desires underlie the social mechanisms. All of these realities call for a different, more holistic method. In the end, it should be the object studied that decides which method is to be employed and not the method that decides what object should be studied (cf. Koslowski 1994, 2002).

The second point I would like to consider here is the epistemological status of the Church's social doctrine (cf. Campanini 2009, 21). This body of teaching certainly belongs to theology and more specifically, to moral theology. However, it is not only theology (insofar as it is based on Revelation) but also anthropology (as a philosophy based on human reason). And since it speaks in the name of reason, the

³Published for the first time under the title: "Die protestantische Ethik und der 'Geist' des Kapitalismus," in *Archiv für Sozialwissenschaft und Sozialpolitik*, vol. XX and XXI (1905).

⁴For an introduction and a first approximation, see Roos (2009); Beretta et al. (2009); Campanini (2009); Brambilla et al. (2009); Melé and Castellà (2010).

⁵Perhaps to highlight this aspect, rather than the publication date of *Rerum Novarum*, Benedict XVI chose the anniversary of *Populorum Progressio* for his social encyclical.

Church can demand a public forum. Moreover, “the social doctrine of the Church was born to revindicate a ‘status of citizenship’ for the Christian religion” (Benedict XVI 2009, 56).

We will now turn to the relationship between Christian tradition and the modern world, considering the aspects of continuity and discontinuity found in the Church’s social teaching.

Pope Benedict XVI writes in his encyclical:

The link between *Populorum Progressio* and the Second Vatican Council does not mean that Paul VI’s social magisterium marked a break with that of previous Popes, because the Council constitutes a deeper exploration of this magisterium within the continuity of the Church’s life. In this sense, clarity is not served by certain abstract subdivisions of the Church’s social doctrine, which apply categories to Papal social teaching that are extraneous to it. It is not a case of two typologies of social doctrine, one pre-conciliar and one post-conciliar, differing from one another: on the contrary, there is *a single teaching, consistent and at the same time ever new*. It is one thing to draw attention to the particular characteristics of one encyclical or another, of the teaching of one Pope or another, but quite another to lose sight of the coherence of the overall doctrinal corpus. Coherence does not mean a closed system: on the contrary, it means dynamic faithfulness to a light received. The Church’s social doctrine illuminates with an unchanging light the new problems that are constantly emerging.⁶ (Benedict XVI 2009, 12)

The footnotes to this paragraph cite, together with the encyclical *Sollicitudo Rei Socialis*, Benedict XVI’s address to members of the Roman Curia on December 22, 2005. In this address, the Pope referred to the correct interpretation of the new focus given by the Council. His main concern is the problem of transformation and permanence. He contrasts a “hermeneutic of discontinuity and rupture” with a “hermeneutic of reform,” maintaining the underlying continuity of the Church. This second type of hermeneutic was the one desired by the Second Vatican Council, to be used in clarifying the relationship between the Church and modernity.

The Council certainly saw the need to carry out a process of major reform. In his December 2005 address, the Pope highlighted three important reference points: the relationship of the faith and the Church to the natural sciences, to the modern state, and to other religions.

It is clear that in all these sectors, which all together form a single problem, some kind of discontinuity might emerge. Indeed, a discontinuity had been revealed but in which, after the various distinctions between concrete historical situations and their requirements had been made, the continuity of principles proved not to have been abandoned...The Second Vatican Council, with its new definition of the relationship between the faith of the Church and certain essential elements of modern thought, has reviewed or even corrected certain historical decisions, but in this apparent discontinuity it has actually preserved and deepened her inmost nature and true identity (Benedict XVI 2005).

In this context, Benedict also referred to the right to religious freedom. All of these steps were taken in full accord with Christ’s teachings, passing on a heritage deeply rooted in the Church’s own life.

⁶Italics in the original text.

6.2 Catholic Social Doctrine and the Modern Economic Order

Thus we can ask: If the Pope referred explicitly to the relationship with the natural sciences, with the modern state, and with other religions, what importance does the modern free economy have here? Did Pope Benedict XVI include this implicitly when speaking about modernity? Or did he rather omit it deliberately? Does the Church not have to be concerned about the *modernity of the economy*?

At first sight, it might seem that the Pope excluded economics from the topics in which a reconciliation between faith and reason has been attained. This could be inferred, perhaps, from the lecture he gave on November 23, 1985. In this conference, Joseph Ratzinger showed himself to be decidedly critical in regard to economic liberalism (Ratzinger 1986, 13ff). He argued that the capitalist economic system cannot be accepted in an uncritical way, not even if one adopts all the corrections that have been introduced since its inception. At the same time, the future Pontiff also rejected Marxism. His criticism of economic liberalism was directed against a tradition going back to Adam Smith, maintaining that ethics and the market economy cannot be reconciled. According to this theory, moral decisions were opposed to the laws of the market: moral economic activities – according to the view criticized by Joseph Ratzinger – had no chance of surviving in the world of the market. Ethics and the market were seen as irreconcilable, given that in the economy what matters is efficiency, not morality. Ratzinger pointed to the determinism hidden in this position. The laws of the market alone, in a necessary and absolute way, were seen as leading to the good of mankind and to progress, independently of the moral qualities of the acting persons.

However, the truth that needs to be defended is that the laws of the market have an autonomy and a validity that is only *relative*. They fulfill their function if they are grounded in a culture of ethical responsibility oriented to the common good, that is to say, in a context of consensus in regard to values. The economy is not put into effect solely by laws, but by persons. A simple adaptation to the “reality of the market and economic facts” would not recognize the true nature of man and therefore would be false.

In the encyclical *Centesimus Annus* of May 1, 1991, Pope John Paul II employed a terminology much closer to the modern liberal tradition. Basing himself on the Second Vatican Council, John Paul II gave a definitive right of citizenship to the modern political culture in the teaching of the Church, including the model of the free market economy; however, this latter was not to be exempted from social concern. Reinhard Marx writes in this regard:

This interior logic of the functioning of the market economy was first discovered by Adam Smith, who described it systematically: this is a great contribution that cannot be denied. Economic liberalism was a great advance, as has been the entire development of freedom found in modern life. Nevertheless, it is now worthwhile emphasizing once more that in the face of economic liberalism, the Church has maintained a great reserve for a long time – for a longer time than in regard to political liberalism. (Marx 2008, 82; cf. also Rhonheimer 2003, 142ff)

In the aforementioned encyclical, John Paul II also asked himself whether capitalism was the victorious social system and the model to be followed. The response is obviously complicated. It is not just a question of a new terminology. The Pope took a stand in favor of profit, the free market,⁷ and of a “good capitalism” – an economic system that recognizes the positive role of business enterprises and human creativity, of the free market and private property, and a corresponding responsibility in the use of the means of production. Furthermore, he specified in regard to this “good capitalism” that “it would perhaps be more appropriate to speak of a ‘business economy,’ ‘market economy’ or simply ‘free economy’.” He rejected with the same force a “bad capitalism,” that is, the “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” (John Paul II 1991, 42).

The goal of *Caritas in Veritate* is different from that of *Centesimus Annus*. John Paul II wanted to provide orientation for the period that followed the collapse of the Soviet Bloc. Benedict XVI finds in the world economic crisis a pressing call for reflection and seeks to provide an anthropological and Christian grounding for progress in the free economy. The two Pontiffs are speaking different languages. However, despite possible initial impressions, their message is not contradictory. *Caritas in Veritate* does not cancel anything in *Centesimus Annus*; on the contrary, it presupposes and confirms it.

Still, at first sight, one’s attention is drawn to the differences between *Centesimus Annus* and *Caritas in Veritate*. Benedict XVI defends a strengthening of state sovereignty (Benedict XVI 2009, 24, 41), he does not praise capitalism, not even in its most moderate and positive form, nor does he particularly underscore the value of the free market. Aspects of the free economy, such as interest, international commerce, the financial markets, speculation, etc., are viewed by the Pontiff with a certain caution and reserve. He also employs terminology that an economist might find unsettling, leaning toward introducing elements of what is called the *gift economy* into the market economy. The *gift economy* is a situation typical of so-called primitive civilizations (made up primarily of farmers and hunters), with a social structure in which goods and services are produced and given without an explicit accord of “*do ut des*”. The *gift economy* is not a market economy in the modern sense. The Pope, of course, is not at all proposing a return to economic forms prior to the modern era; rather, he is extending an invitation to “broaden our outlook” and to introduce a new logic into the economy: the logic of gratuitousness and gift. This invitation merits a deeper explanation.

⁷John Paul II (1991, 34): “It would appear that, on the level of individual nations and of international relations, the free market is the most efficient instrument for utilizing resources and effectively responding to needs.”

6.3 Fundamental Goals Proposed by the Encyclical *Caritas in Veritate*

6.3.1 *The Epistemological Question of Economics*

In *Caritas in Veritate*, Pope Benedict XVI speaks of “the excessive segmentation of knowledge” (Benedict XVI 2009, 31) in fields that have reached a high degree of specialization, such specialization paid for with a loss of the human meaning of the object studied. Confronted with this situation, the Pope calls for “a further and deeper reflection on the meaning of the economy and its goals” (Benedict XVI 2009, 32).

The problem to which the Pope refers is parallel to the epistemological problem in the relationship between faith and the natural sciences. If a scientist consciously and *a priori* excludes all that is not material, the method he employs can never reach anything that transcends the material world. J. B. S. Haldane, a biologist of the last century, wrote: “My practice as a scientist is atheistic. That is to say, when I set up an experiment I assume that no god, angel, or devil is going to interfere with its course” (Haldane 1934, vi). We could expand his words: neither persons, nor sentiments, nor ethical reflections will be allowed to interfere in the course of his experimentation. If a scientist works within the limits of this empirical method and deliberately remains within those limits, then the method might be justified. On the other hand, if one seeks to demonstrate the nonexistence of something that the very choice of the method excludes, one falls into an obvious vicious circle.

This is particularly important when dealing with human actions because in this case, the voice of conscience makes itself heard. Economic activity is a free human activity, an action judged by our conscience and guided by our convictions and virtues or vices. Moral principles are not bothersome limitations opposed to economic benefits: what is ethically bad is also an error in terms of the economy and vice versa; what is an error in regard to the economy is also such from the ethical point of view because it would constitute mistaken human behavior. As Benedict XVI writes: “the conviction that the economy must be autonomous, that it must be shielded from ‘influences’ of a moral character, has led man to abuse the economic process in a thoroughly destructive way. In the long term, these convictions have led to economic, social and political systems that trample upon personal and social freedom, and are therefore unable to deliver the justice that they promise” (Benedict XVI 2009, 34).

When economics, both theoretically as well as practically, opens itself to a broader concept of reason – as Benedict XVI hopes – then it will discover new solutions for attaining integral human development (Benedict XVI 2009, 31).

The Pope’s concern here connects with a current in the social sciences born in Italy but not yet sufficiently well known elsewhere. We are speaking of the so-called school of “civil economy.”⁸ Although a detailed explanation is beyond the scope of

⁸Cf. for a general survey: Bruni and Zamagni (2004, 2009).

this study, this school stems from certain historical facts. For centuries, there has existed what one might call a “Catholic antagonism” toward economics, finance, money, etc., that is, toward the fundamental factors of the modern economic system. We shall briefly try to sketch this development.

The Church Fathers in general had a positive or neutral attitude toward trade. In fact, presupposing the admissibility of commerce and trade, they did not often treat the subject. The Fathers’ use of these themes is rather of a theological and moral nature. The monetized and commercial society of the Roman Empire (see Walbank 1987) in which they lived supplied their lexicon, and thus they used a commercial language to explain redemption, praised as “*sacrum commercium*”⁹: Christ has bought us for the price of his own blood. Ambrose dramatically describes the devil as a usurer who gives sin to Eve as a loan. She in turn indebts all of mankind. Christ is the “redeemer” who – as this Latin word expresses – buys our freedom back from the devil at an exorbitant price, his blood (Ambrose 1845, 770f). In the Patristic Christian tradition, “economy” even came to mean “redemption”, as the perusal of any Patristic dictionary will reveal. What the modern concept of economy implies was dealt with under the concepts of *negotium* or *commercium*.

The social concerns of the Church Fathers had to do with the protection of the poor against exploitation, with social aid to the sick, the widows and orphans, the foreigners, etc. Consequently, they preached against irresponsible luxury and wealth and against usury understood as oppressive interest rates on loans to the poor (Nuccio 1984, 411). Ambrose opposed all interest on loan, qualifying it as theft. Although Leo was skeptical about trade, he mentions it in the context of canonical penance. Penitents, he advises, should not engage in trade, because it is hardly possible to avoid sins in selling and buying (Leo 1957, 294f). In this warning, he merely echoes words of the Bible (Sir. 26:20-27:2).¹⁰

A negative attitude toward commerce grew out of feudalism. In the feudal system, the merchants were ambiguous figures. On the one hand, they were useful and even indispensable for society; on the other, they were held in suspicion because they worked for their own pocket and not with the aim of enhancing public well-being. This critical attitude is reflected by the *Sentences* of Peter Lombard (ca. 1158) and in one of the texts added to the *Decretum Gratiani* (ca. 1140) in the twelfth century and called “*palea Eiciens*.”¹¹ These texts declare trade to be an illicit profession for a Christian. In the Medieval commercial revolution of the twelfth to the

⁹Preface of the Christmas Mass which goes back to the fifth century using words of Leo I.

¹⁰The Bible passage Leo I echoes is: “A merchant can hardly remain upright, nor a shopkeeper free from sin; For the sake of profit many sin, and the struggle for wealth blinds the eyes. Like a peg driven between fitted stones, between buying and selling sin is wedged in.” For the negative attitude of Leo I to usury see his Sermon 17, 3, in Leo (1996, 63ff).

¹¹For more details, see Wood (2002, 112); Langholm (1992, 102ff). The *Decretum Gratiani*, C. XXIV, q. 3, c. 23, however, also protects merchants from “unusual” taxes and road fares. “Si quis (...) mercatores novis teloneorum et paticorum exactionibus molestare temptaverit, donec satisfecerit, communionem careat Christiana.”

fourteenth century, such an evaluation no longer made any sense. From the thirteenth century onward, Scholastic teachers underscore that commerce is a necessary and useful social function. In support of this position, they were able to quote Augustine as witness: the vices usually associated with merchants are not to be blamed on the profession but on the people who exercise it (Augustine 1970, 747ff: Psalm 70, verse 15).¹² Augustine was utilized by both of the great Medieval schools (the Dominicans and the Franciscans) but in different ways.

Around the year 1260, the Dominicans Albert the Great and Thomas Aquinas, as the earliest commentators on Aristotle, could dispose of the Latin translation of *Politics* by their confrère William of Moerbeke. In the first book of his *Politics*, Aristotle distinguishes *oikonomiké* (procuring the necessary material means for the household) from *chrematistiké* (quest of money as an end to itself). Aristotle refers to trade (*kapeliké*) as a despicable form of “*chrematistiké*”. However, in his translation, Moerbeke erroneously translates *kapeliké* as *campsonia* which means money changing. Through this “happy error”, trade is not condemned in the Latin translation of Aristotle’s *Politics*. There is consequently no condemnation of merchants in Albert or Thomas. Procuring the necessary material means for a dignified life according to one’s social status is good and natural, says Thomas; however, this activity does not pertain to the merchants (*negotiatores*) but rather to the *oekonomici* and the politicians who manage the household and the city. Commerce is not well considered, and justly so, writes Thomas, as it serves the desire for profit. By essence, commerce has no honorable or necessary aim, but, on the other hand, Thomas goes on to say, profit in no way is vicious or contrary to virtue. Thus, commerce is neither good nor evil. Through this surprising maneuver, Thomas is able to justify profit (and consequently commerce) through its aims (Aquinas 1999, q. 77, a. 4 c). There does remain, however, a certain attitude of doubt. Clerics, he writes, should refrain from commerce because they must not only avoid what *is* evil but also what *seems* to be evil, as is the case with commerce (Aquinas 1999, q. 77, a. 4 ad 3; also q. 187, a. 2).

In the Franciscan School, from Alexander of Hales onward, the general tenor throughout Medieval Scholasticism was that commerce was necessary and useful but fraught with moral dangers. In his *Summa Theologiae*, Alexander of Hales diverted criticism of commerce as such to a number of circumstances which render trade and commerce sinful. Commerce can be sinful if the wrong persons engage in it (clerics or religious), the merchants are guided by a sinful purpose (cupidity), and trade is conducted at the wrong time (Sunday, holidays) or in the wrong place (in the Church); certainly, commerce becomes sinful if the means employed are evil (fraud, deception) or if improper business associations are formed (monopolies) (Langholm 1992, 135). St. Bonaventure is of the same thought (Langholm 1992, 158). This position became increasingly enthusiastic in the course of the Middle Ages. Richard of Middleton found merchants praiseworthy, and in the Franciscan authors of the fourteenth century, the merchants were seen as the builders of public happiness. Diana Wood has summarized this development in the Scholastic attitude toward

¹²Quoted e.gr. by Aquinas (1999), q. 77, a. 4 sed contra.

commerce and the merchants in different consecutive steps: condemnation, justification, and exaltation (Wood 2002, 111–120).

Another difficulty the Christian tradition had to cope with in connection with the modern forms of economy was its condemnation of any kind of interest on loans as usury. Charging interest as the price paid for the use of financial capital is an essential element of monetized economies. Roman law had permitted interest on loans, establishing a legal maximum of the interest rate in order to avoid exploitation. The Council of Nicea had accepted this regulation for the Church; it had, however, prohibited all members of the clergy to charge interest. This discipline was maintained in the Oriental Churches (Wittreck 2009). In the meantime, in the Catholic Church, the development was different.¹³ In Carolingian times, the prohibition of interest as usury was extended to all Christians. No one was allowed to demand more in return than the sum given as a loan. By the time the Scholastics began work on the subject of usury, Church doctrine had become a secular tradition. They encountered and shared the solid conviction that taking interest was a mortal sin. In a feudal and agricultural economy, in which loans are only meant for consumption and are asked for in times of urgent need, such a condemnation may be easy to understand. A modern monetized economy cannot do without interest. The great scholar of Medieval economic thought, Raymond De Roover, while being critical of the theoretical Scholastic justifications of the ban of usury, has been able to state that this ban did not brake or hamper the economic development of Europe. It actually indirectly catalyzed the invention of instruments of cash-free financial exchange and other forms of investment, for example, bills of exchange, commercial partnerships, rent contracts, government bonds, etc. (De Roover 1974, 332).

The theoretical “antagonism” to the economy, however, continued and was nourished from roughly four sources: Aristotle, who considered money as a medium and a measure of exchange, therefore rejecting the view that money could be used to increase money, a form of “unnatural enrichment” (this attitude in the subsequent reception of Aristotle was condensed into the adage *nummus non facit nummum*: “money does not produce money”)¹⁴; the Biblical prohibition of usury, which was extended to include any type of interest¹⁵; some of the Fathers of the Church¹⁶; and

¹³For a complete analysis, see Noonan (1957); a synthetic explanation in Wood (2002, 160ff).

¹⁴See Aristotle, *Politics*, I (A), 1258 b, 2–8: “The most detestable sort (of wealth getting) and with the greatest reason, is usury, which makes a gain out of money itself and not from the natural object of it. For money was intended to be used in exchange but not to increase at interest....Wherefore of all modes of getting wealth, this is the most unnatural.” On this topic, see Schefold (2008, 39); for a detailed analysis of Aristotle’s attitude toward economy and money, see Wittreck (2002, 173ff).

¹⁵The principal texts of the Old Testament are *Ex* 22:24; *Lev* 25:35–37; *Deut* 23:20–21; cf. also *Ps* 15:5; *Prov* 28:8; *Ezek* 18:8; 13:17; 22:12. In the New Testament, there is *Lk* 6:35. For an exegetical commentary, see Tosato (2002). For the history of usury in Catholic teaching, see Noonan (1957) and Le Bras (1950).

¹⁶Cf. for example Lactantius, *Institutiones divinae* 6, 18; Ambrose (1845, 759ff); Leo I (1996, 63ff).

some statements of the Magisterium, in particular the canons of ecclesiastical law. As late as 1745, Benedict XIV, in his encyclical *Vix Pervenit*, severely condemned the charging of interest while at the same time he permitted the establishment of parallel contracts that *de facto* made possible the payment of sums equal to interest (Denzinger and Hünermann 2003, 2546–2550). This teaching was finally abandoned at the beginning of the nineteenth century.

It was specifically in the Franciscan School of the fourteenth and fifteenth centuries and in the School of Salamanca of the sixteenth century that the foundations were laid not only for a new understanding of economic activity in the Church but also for the beginning of the modern science of economics. It is correct to say that the basic concepts of modern economic thought were formed during the Scholastic period and reached Adam Smith and modern economics through the works of late Scholasticism, which come “nearer than does any other group to having been the ‘founders’ of scientific economics” (Schumpeter 1954, 97).¹⁷ The concept of “capital,”¹⁸ for example, was coined and developed by friars who had themselves taken a vow of poverty: money was converted, thanks to man’s work, into *caput*, that is, into a source of benefits. It was the Franciscans who, for the first time, opened a chain of more than 150 *Montes Pietatis*. Bearing some similarities to modern-day “pawnshops,” these were places where one could take out a loan at very low interest against some type of bond or surety. This practice was established all over Italy to provide credit accessible to craftsmen and poor farmers in moments of crisis (microfinance). These friars were in constant contact with the poor, who frequently ended up the victims of usurers. The latter paradoxically, and precisely because of the canonical prohibition against giving loans with interest, fell outside all regulation and therefore, at times, demanded exorbitant interest. At the same time, the poor were often forced into greater indigence because their work instruments and their livestock were impounded by the usurers. This situation was reversed, thanks to the *Montes Pietatis*, for which the Franciscan theologians, overcoming great difficulties, had to create the necessary theoretical framework.¹⁹

This phenomenon occurred wherever the “paleo-capitalistic” tendency was strongest: first in the city-states of the early Renaissance (fourteenth and fifteenth centuries) and later, in the period of the Enlightenment, in the chairs at the Universities of Naples and Milan.

This cultural movement came to be known as “civil economy.” From this school of thought stem the concepts in the Pope’s social encyclical that we might find surprising in the context of economic theory: gratuitousness, the logic of gift, fraternity, reciprocity, and relationality.

¹⁷Cf. also Melé (1999); De Roover (1974); Todeschini (2004, 7f); Bazzichi (2008).

¹⁸For the history of the term, see Hilger (2004).

¹⁹The Bull “*Inter Multiplices*” (May 4, 1515) promulgated by Leo X recognized the *Montes Pietatis* as charitable institutions, with an interest rate that had to be reasonable (i.e., covering the running costs). The prohibition of requiring interest remained in force even after the publication of this Bull, unless the interest of the loan was to be used for the salaries of the employees and to cover the other costs of the *Montes Pietatis* and not simply to pay for the loan as such. Cf. Denzinger and Hünermann (2003, 1442–1444).

6.3.2 *The Principle of Gratuitousness, Gift, and Fraternity*

Benedict XVI seeks in *Caritas in Veritate* “to make room for the *principle of gratuitousness* as an expression of fraternity” (Benedict XVI 2009, no. 34). This “principle of gratuitousness” does not exclude justice nor is it extrinsic to it, and this is true also of the “logic of gift.” “While in the past it was possible to argue that justice had to come first and gratuitousness could follow afterwards, as a complement, today it is clear that without gratuitousness, there can be no justice in the first place” (Benedict XVI 2009, no. 38).

“Gift” is not the same thing as a “present.” Rather, it flows from the fact that commerce is always an exchange of merchandise or other material goods between *persons*. This exchange is possible only in the context of a personal relationship, which may be of various kinds (human or inhuman, friendly or exploitive, loyal or fraudulent, etc.). To ensure that this relationship is a human one, first of all, there needs to be a “pre-gift” (*Vorgabe*), the recognition that the other is our “neighbor,” with intrinsic dignity. One needs to have confidence in the other persons and put oneself in their shoes. This “pre-gift” confers a specific meaning on the commercial relationship: the relationship will be human or inhuman, exploitive or loyal, etc., depending on the way in which one views the commercial partner or neighbor to whom the commercial activity is directed. The “pre-gift” is, at the same time, a “gift of meaning” (*Sinngebung*). Where this fullness of meaning is lacking, the relationship becomes inhuman. Therefore, the gift in the context of a spirit of gratuitousness is a sign of the actual development of a society.²⁰

It is difficult to define gratuitousness. Living together in a human way is impossible without gratuitousness. Without gratuitousness, there is no truly human encounter with one’s neighbor. Without gratuitousness, there is no trust, an indispensable element for the stability of the market and of society.

The concept of “gratuitousness” should not be understood as “giving things away for free.” Gratuitousness is not “distribution at a zero price” but rather “unpayability”, giving “something that has no price”. It is what Kant tried to express with his concept of “human dignity”: man has dignity, which means he does not have a price. Human dignity is the basis and the source of all human rights. The human person is called to live in a society but is not dissolved into it. Each person is unique, unrepeatable, indispensable, incommensurable, and incommunicable. The person is an end in itself, never a means. “Gratuitous” behavior in the economy consists, therefore, in having truly human relationships, which are not just instruments for purposes of benefit or efficiency.²¹

²⁰Cf. Pierpaolo Donati, under the heading of “Dono” [“Gift”], in Bruni and Zamagni (2009, 279–291).

²¹Cf. Luigino Bruni under the headings *Fraternità* and *Gratuità* in: Bruni and Zamagni (2009, 439–444 and 484–488); also from a juridical point of view: Galasso and Mazzaresse (2008).

In the ancient and Medieval *communitas*, one could not conceive of an ethical life outside of the *polis*: the community was the whole of which the person was merely a part. In the Aristotelic-Thomistic tradition, the essence of the part was analyzed from the whole, analogous to the way in which the essence of a body organ can be defined sensibly as being part of a living organism. Thus, the individual human being was seen as part of the community to which he or she belonged, and the common good was essentially and gnoseologically prior to the individual good. All economic insights of the Medieval schoolmen (the institution of private property, the usefulness of commerce, the reason why civil law did not punish usury, etc.) were derived from the common good, not from the individual natural rights of the individual persons. Private ownership, for instance, was seen as convenient to the common good because owners work better and take greater care of their own things than in a system of collectivism. Commerce and economic exchange were justified because they advance public wealth and well-being. Thus, in the Medieval Scholastic view, there was not any need, as in modern political philosophy, to reconcile the various and antagonist individual rights and to recompose the common good with the fragmented parts of social life. In modern times, this process of recomposition is brought about by “social justice” and “social charity”. The content of modern common good is defined as peace, freedom, and justice, not virtuous life as such.

The modern age and the overcoming of the Medieval perspective in which the community prevails over the individual have led to the birth of the individual with his or her rights, even against the community. A new foundation for life in common was therefore necessary since the concept of the totality of the community had been lost. In the economy, this was found in the market. In economic exchange, it does not matter, in principle, what one’s religion, culture, or ethnicity, etc., might be. Rather, the system of prices, as a mediator of relationships, sterilizes the elements that might give rise to clashes: everyone who is able to pay or exchange goods or services is included in the market system.

The solution of establishing a market, however, results in two antithetical effects: one of inclusion or union and a second that produces loneliness and unhappiness since modern economics denies the relevance of love and fraternity in the economy. Modern economics is an empirical science which formulates descriptive laws about how things are, not prescriptive rules about how things ought to be. Empirical economics uses the hypothesis that self-interest is the factual motor of economy. In his most frequently quoted sentence, Adam Smith writes that we expect our dinner not from the benevolence of the butcher, the brewer, or the baker, but from their self-interest (Smith 1979, Book 1, Chap. 2). However, would it not be more appropriate to expect our dinner from the justice of the butcher, the brewer, and the baker? It is the virtue of justice which leads them to fulfill their contracts. In certain cases, self-interest alone could lead to avoid fulfilling contracts. A system based solely on self-interest could easily disintegrate. Moreover, we expect our dinner also from their benevolence because in order to agree to a price both buyer and seller usually have to yield a little.

True fraternity in modernity is restricted to the private sphere. Universal fraternity is too dangerous for the public sphere because – by being a manifestation of *agape* (disinterested love) – it creates a crisis for the apparent equilibrium of the market economy.²² “The great deception of the humanism of the market was thinking that one could preserve something authentically human even while eliminating the relationship of fraternity, with all its tragic weight of sorrow and suffering.”²³

The great question which social ethics with a Christian inspiration has to tackle is if and how to introduce fraternal love (one could also say solidarity or charity or gratuitousness) into the public sphere and into the market. Can love be institutionalized? That is the central question behind the idea of love as social principle (“social charity”).²⁴ Once love is institutionalized in governmental or societal institutions, it has stopped being love and turns into justice; individuals acquire rights to standardized courses of action. A structure of social ethics emerges. In a certain sense, social ethics aims at making charity unnecessary. Take the parable of the Good Samaritan: Social ethics aims at creating a police force, public health care, etc., instead of relying on uncertain individual aid. Even so, solidarity remains necessary as the “heart” of a society that discovers and puts remedy to new needs. Social charity is not a “fifth social principle” beside human dignity, common good, subsidiarity, and solidarity but is a part of each of these. Love makes injustice visible and overcomes it. It is not the case that a free market economy is intrinsically opposed to fraternity or that our market economy has to be replaced with a nonmarket economy. Rather, we need to discover and strengthen many gratuitous elements that already exist, for example, blood and organ donations, social volunteer networks, open source software and, above all, the gratuitous services that take place within the sphere of the family. All these activities help to make our life and society more human (Chirinos 2006).

6.3.3 *Reciprocity and Relationality*

Gratuitousness is connected with another aspect the Pope wishes to highlight as important for the economy: that of reciprocity and relation. “As a spiritual being, the human creature is defined through interpersonal relations. The more authentically he or she lives these relations, the more his or her own personal identity matures. It is not by isolation that man establishes his worth, but by placing himself in relation with others and with God” (Benedict XVI 2009, 53).

²²Luigino Bruni, under the heading *Communitas* in Bruni and Zamagni (2009, 202–208).

²³Luigino Bruni, under the heading *Fraternità* in Bruni and Zamagni (2009, 442).

²⁴See, for example, Benedict XVI (2009, 2): “Charity is at the heart of the Church’s social doctrine. Every responsibility and every commitment spelt out by that doctrine is derived from charity which, according to the teaching of Jesus, is the synthesis of the entire Law (cf. Mt. 22:36–40). It gives real substance to the personal relationship with God and with neighbor; it is the principle not only of micro-relationships (with friends, with family members or within small groups) but also of macro-relationships (social, economic and political ones).”

Reciprocity is the internal law of the web of relationships that governs a society. There exists a “negative” reciprocity (conflicts, wars, revenge, etc.),²⁵ but there is also a “positive” and constructive reciprocity that makes collaboration and social development (contracts, the market, friendship, love, etc.) possible. Positive reciprocity represents a fundamental act of recognition of the other as my equal (cf. Rhonheimer 2000, 289ff).

Benedict XVI studies four aspects of economic life in which the principle of reciprocity and relation is effective: the market, the business enterprise, the managerial activity, and the political authority. Applied to the market, reciprocity means considering the market as a meeting between persons who enter into a mutual relationship: “In a climate of mutual trust, the market is the economic institution that permits encounter between persons, inasmuch as they are economic subjects who make use of contracts to regulate their relations as they exchange goods and services of equivalent value between them, in order to satisfy their needs and desires” (Benedict XVI 2009, 35).²⁶

The market “does not exist in the pure state,” the Pope says.

It is shaped by the cultural configurations which define it and give it direction. Economy and finance, as instruments, can be used badly when those at the helm are motivated by purely selfish ends. Instruments that are good in themselves can thereby be transformed into harmful ones. But it is man’s darkened reason that produces these consequences, not the instrument per se. Therefore, it is not the instrument that must be called to account, but individuals, their moral conscience, and their personal and social responsibility (Benedict XVI 2009, 36).

The Church’s social doctrine “holds that authentically human social relationships of friendship, solidarity and reciprocity can also be conducted within economic activity, and not only outside it or ‘after’ it. The economic sphere is neither ethically neutral, nor inherently inhuman and opposed to society. It is part and parcel of human activity and precisely because it is human, it must be structured and governed in an ethical manner” (Benedict XVI 2009, no. 36).

6.4 Conclusion

Pope Benedict XVI, in his encyclical *Caritas in Veritate*, has expanded and developed the content of his predecessor’s *Centesimus Annus*. He does not eliminate the possibility of reconciling the faith with modernity, but he calls on modernity to take a step forward. The Pope seeks to free reason from the prejudices and narrow methods which sometimes characterize modern economics, in order to make room for the deepest human realities. But what does all this mean in connection with the

²⁵Cf. Luigino Bruni, under the heading “*Reciprocità*”, in Bruni and Zamagni (2009, 652–660).

²⁶For a preliminary look at the different concepts of “market” from a historical perspective, see Röttgers (1980).

question we raised at the outset? Has the Church reconciled itself with the modern economy? And in doing so, has it returned to the roots of its own faith?

Yes, in my opinion, the Church has accepted the modern economic system, rejecting its negative aspects while underscoring the importance of immaterial values, solidarity, fraternity, etc. On the other hand, as regards the second question concerning the Church's return to the roots of its faith, it is still too early to answer with a clear, affirmative yes, because this is an ongoing endeavor. I will try to explain.

To evaluate the historical continuity of the social doctrine of the Church, we have to go back to a period much earlier than the beginning of liberalism in 1789, even to the time of the Fathers of the Church. In this article, this historical review has been performed schematically. The Fathers of the Church, and with them the Christian Scholastic tradition, stressed the centrality of the person and his or her freedom and dignity and moral calling, even in regard to economic and commercial concerns. At the same time, they placed clear limits to the conformity of Christian conduct in the public sphere with the dominant spirit of the times, the *Zeitgeist*. Thus, they gave clear indications, relevant also for the modern economic system, of what a "purification of reason by the faith" might mean. The encyclical *Caritas in Veritate* continues the discussion beginning with this point. In this sense, returning to the roots of Christian tradition does not mean repeating a static system of rules or ideas of the past but taking up and responding in a Christian spirit to the new challenges posed by present circumstances. The Christian spirit inspires action through principles, especially those of human dignity and freedom combined with social responsibility. Freedom and social responsibility are complementary.

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