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LAUDATO SI': WELL INTENTIONED, ECONOMICALLY FLAWED

MOST DISTRESSING PERHAPS IS POPE FRANCIS' DEEPLY NEGATIVE VIEW OF FREE MARKETS.

19 de junio de 2015

Fuente: The American Spectator

<http://spectator.org/articles/63160/laudato-si%E2%80%99-well-intentioned-economically-flawed>

In the lead-up to the release of Pope Francis' new encyclical *Laudato Si'*, most commentary focused on its likely-implications for the world's climate change debate. An effort to influence that discussion—much of which has, like Al Gore, long since faded from public prominence and become confined to international organizations, NGOs, government bureaucrats, and professional lobbyists—is clearly part of the encyclical's immediate intent. Moreover, despite the text's occasional wandering into very technical subjects, such as the impact of air-conditioning (55), this long (and, at times, awkwardly written) document's deeper significance will surely be how it shapes Catholic theological reflection upon man's relationship with the natural world.

But while most of the text's reflections upon public policy issues focus on the environment, a subterranean theme that becomes decidedly visible from time-to-time is the encyclical's deeply negative view of free markets. This would confirm that this pontificate's reaction to respectful questions asked about the adequacy of the economic analysis contained in Francis's 2013 Apostolic Exhortation *Evangelii Gaudium* has been to simply recycle (no pun intended) some of that document's demonstrably flawed arguments concerning the market economy's nature and effects.

To be sure, there is much about today's global economy that merits criticism. The encyclical rightly underscores the problem of bailing out banks at everyone else's expense (189). Does anyone doubt that, if the world faces another series of major bank failures, governments will behave in exactly the same way, thereby reinforcing the moral hazard problem that's at the root of so much of the financial sector's on-going dysfunctionality? The encyclical also suggests, correctly, that despite the events of 2008, there has been a major failure to reform the world's financial systems (189). Likewise the pope's tough words for those who regard population growth as somehow damaging the environment and impeding economic development are spot-on (50).

Nonetheless, many conceptual problems and questionable empirical claims characterize the encyclical's vision of contemporary economic life. In terms of environmental degradation, *Laudato Si'* appears oblivious to the fact that the twentieth century's worst economically driven pollution occurred as a result of centrally-planned state-industrialization schemes in former Communist nations. Anyone who's visited Eastern Europe or the former USSR and witnessed the often-devastated landscape will quickly attest to the validity of that insight.

Then there is the encyclical's use of "global north and south" language to describe some of the global economy's dynamics (51). This terminology has been used occasionally by popes in the recent past. But it also reflects the conceptual apparatus of what was called dependency theory: the notion that resources—especially natural resources—flow from a "periphery" of poor countries to a "core" of rich states, thereby benefiting the wealthy at the poor's expense. This meant, according to dependency theory economists, that peripheral nations should restrict trade with developed countries and limit foreign investment. The point was to reduce their reliance on exports of raw minerals and agricultural products, consequently promoting the emergence of domestic industrial sectors.



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This understanding of the global economy, much of which was formulated by Latin American economists in the 1950s, has long been discredited. Not even many center-left economists are willing to defend it. There are, for instance, countries in the “south”—such as Chile and Australia—that are formally classified as developed economies. Furthermore, they have become wealthy partly because of (a) mineral and agricultural exports and (b) conscious choices to integrate themselves into the global economy rather than remain cowering behind protectionist barriers while trying to prop up uncompetitive industries through subsidies.

And where, one might ask, do “northern” hemisphere economies such as Russia’s crony-corporatist arrangements or the Middle East’s petroleum economies fit into this “north-south” global economic schema? The answer is that they don’t. In short, if the “north-south” paradigm is how the Holy See understands the global geopolitical scene, it’s effectively clinging to a perspective of the world economy whose profound limitations were already apparent by the early 1970s.

Another problem with *Laudato Si’*—again, previously manifested in *Evangelii Gaudium*—is an oversimplification of the views of those who believe that free markets are the optimal economic way forward for individual nations and the world. Here’s one example from the encyclical:

“Some circles maintain that current economics and technology will solve all environmental problems, and argue, in popular and non-technical terms, that the problems of global hunger and poverty will be resolved simply by market growth” (109).

Growth is of course indispensable for saving people from poverty. There is no long-term remedy to persistent poverty without growth, and market economies have an unmatched ability to produce such growth. But whoever “some circles” might be, I don’t know of any market advocates who believe that growth alone is the answer to hunger and poverty. Many other things need to be in place, most notably the right moral, cultural, and institutional settings. These range from something as fundamental as rule of law (largely absent from most Latin American countries and about which *Laudato Si’*—like *Evangelii Gaudium*—says nothing) to vibrant civil societies. Most free market advocates have been making these points for decades.

Laudato Si’ then claims that:

“They are less concerned with certain economic theories which today scarcely anybody dares defend, than with their actual operation in the functioning of the economy. They may not affirm such theories with words, but nonetheless support them with their deeds by showing no interest in more balanced levels of production, a better distribution of wealth, concern for the environment and the rights of future generations. Their behavior shows that for them maximizing profits is enough. Yet by itself the market cannot guarantee integral human development and social inclusion (109).”

Leaving aside the first sentence’s sheer vagueness (who are “they” and what “certain economic theories” have been found wanting?), it’s hard not to view some of this language as bordering on populism. The not-so-veiled claim that people who favor free markets are being disingenuous is a serious allegation, one that isn’t sustained by the briefest of glances at the writings and actions of many free market thinkers ranging from Wilhelm Röpke to Adam Smith himself.

It is untrue, for instance, that being in favor of free markets means that you’re necessarily unconcerned for the environment and obsessed with profit. Many free market supporters have devoted their lives to devising ways to align economic incentives in the direction of environmental conservation. Nor is it just to say that free marketers are uninterested in future generations. It has been, for the most part, people who favor free markets who have been arguing that the current recourse to debt by Western governments in order to avoid making hard but necessary fiscal



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reforms is laying up enormous trouble for future generations. Those of a more-interventionist or Keynesian disposition are generally silent on this subject or don't think it is a real problem.

Lastly, you could probably count on one hand the number of promoters of free markets who believe that economic freedom alone will assure all-round human flourishing. Take, for instance, Adam Smith. Not everything in Smith's thought is reconcilable with the Catholic vision of man. But Smith's vision of commerce and market exchange is rooted in a wider civilizational vision that (a) stresses the need for a strong civil society; (b) acknowledges that there are some things that only governments can do and that there will be times when government economic intervention is needed; and (c) underscores the importance of commercial, classical and, yes, Judeo-Christian virtues prevailing in a society if a free economy is going to flourish and benefit the majority rather than just privileged elites who enjoy close ties to the political class.

What's sadly ironic about all this is that the very same encyclical which makes such sweeping assertions about the free market and its advocates is also marked by several welcome calls for reasoned and broad debate (16, 61, 135, 138, 165) about how we address environmental and economic problems. *Laudato Si'* also emphasizes that the Church doesn't have a monopoly of wisdom on the prudential dimension of environmental and economic questions. Yet the encyclical's use of phrases such as "deified market" (56) and "magical conception of the market" (190); its unsupported association of moral relativism with Adam Smith's "invisible hand" (123); its relentless linkage of the market with materialism and consumerism (neither of which have had any difficulty flourishing in non-market economies); its failure to critique the left-populist regimes that have brought economic destruction and increased poverty to countries such as Argentina and Venezuela; and its attribution of suspicious motives to those who favor markets, runs contrary to this appeal for open and respectful debate.

It's true that some Catholic clergy and activists apparently think that dialogue with the world means listening more-or-less exclusively to what the (increasingly atheistic and anti-Catholic) political left thinks about any given issue. This, however, isn't an excuse for stigmatizing the position of those who make the simple and hard-to-deny point that the greatest and fastest reducer of poverty in history at the global, national, and local level has been the market economy and the habits, culture and institutions on which entrepreneurship, free exchange, and the growth of surplus capital depends.

None of this is to deny that some economic conservatives' criticisms of Pope Francis since 2013 have verged on the absurd. The briefest of glances at the Pope's writings underscores that Jorge Bergoglio is no liberation theologian. It is equally nonsensical to describe this pope as a Marxist. Indeed, Pope Francis's pointed defense of innocent life from conception onwards, his forthright condemnations of euthanasia, and his increasingly ferocious criticisms of the fantasy-world otherwise known as "gender theory" contradicts the most basic of contemporary left-wing orthodoxies.

For all that, however, and despite the undoubted authenticity of Pope Francis' love and concern for the poor, it's lamentable that this pontificate seems so unwilling to engage in a serious discussion about the market economy's moral and economic merits vis-à-vis the alternatives. Society's well-being and the common good can't be reduced to economic efficiency or growth. Nor will free markets save our souls. But given the right ethical, social, and institutional environment, economic freedom and a vibrant commercial sector can go a long way to delivering us from the disease, poverty, and economic stagnation that marked most of pre-Wealth of Nations Europe and which still plagues much of the developing world.

It's a lesson, it seems, that much of the Catholic world still needs to hear.