

Virtuous Poverty, Christian Liberty: A Free-Market Appreciation of Pope Francis

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Introduction

When Pope Francis published his second major magisterial document, the Apostolic Exhortation *Evangelii Gaudium*, a range of reactions was produced. These extended from some that praised the critique of so-called "unfettered capitalism" and "libertarian economics", to others that labelled the Pope a leftist, even a "Marxist." Others sought to understand Francis from within his pastoral background and Argentinian experience, and downplayed the references to economic questions. 5

Francis, obviously, is anything but a Marxist.⁶ Yet it cannot be denied that his posture on some economic questions has tended to upset those that, in European terminology, are called economic *liberals*. They have expressed that the Pope fails to appreciate the benefits of the market economy, and that his insistence on the poor lends undue support to political programs that undermine entrepreneurship, private property, and economic growth.

In this lecture, I wish to go beyond impressions and address a more fundamental question: What exactly is Pope Francis's message on the economy, and what does it mean for the advocates of economic freedom?

Let me first clarify this essential term. When I speak of *free markets* or *economic freedom*, I essentially refer to the two principles that may be called the *market principle* (freedom and respect of contracts, freedom to start a business), and the *property principle* (recognition and protection of

¹ Francis, Apostolic Exhortation *Evangelii Gaudium*, November 24, 2013 [hereinafter *EG*]. I am referring to the aspects related to social and economic issues, found especially in 53–58 and 186–216 of the document. It should be remembered, however, that the central message is concerned with the Church's mission of evangelization, and the specific texts must be read within this wider context.

² "Pope Francis calls unfettered capitalism 'tyranny' and urges rich to share wealth," *Guardian*, November 26, 2013, http://www.theguardian.com/world/2013/nov/26/pope-francis-capitalism-tyranny. In reality, the words *unfettered* or *capitalism* do not appear in the document at all. In *EG*, n. 56, however, it laments the gap separation the rich and the poor, and argues that the "idolatry of money" and the "ideologies which defend the absolute autonomy of the marketplace and financial speculation" give rise to a "new tyranny."

Matthew Yglesias, "Pope Francis Strafes Libertarian Economics," *Slate*, November 26, 2013. http://www.slate.com/blogs/moneybox/2013/11/26/evangelii_gauddium_pope_francis_vs_libertarian_economics.html.

⁴ Broadcaster Rush Limbaugh apparently said: "This is just pure Marxism coming out of the mouth of the pope." See Neil Ormerod, "Is the Pope a Marxist?", *Eureka Street* Vol. 23 No. 24, December 16, 2013, http://www.eurekastreet.com.au/article.aspx?aeid=38645.

⁵ For example Michael Novak, "Agreeing with Pope Francis," *National Review Online*, December 7, 2013, http://www.nationalreview.com/article/365720/agreeing-pope-francis-michael-novak.

⁶ Genevieve Jordan Laskey, "Pope Francis: Liberation Theologian? Not So Fast," *Millennial Journal*, June 12, 2013, http://millennialjournal.com/2013/06/12/pope-francis-liberation-theologian-not-so-fast.



private property). More broadly, economic freedom includes closely related ideals such as low taxation, frugal public spending, the absence of corruption in public office, and monetary stability. Obviously, by economic freedom I do not mean greed or selfishness, or any other absence of moral constraint. Not everyone who is a free marketer is or needs to be a libertarian.

My choice of topic for today's lecture was motivated by two factors. The first was the impression that the Francis's thinking and message have been too easily labelled as *simply leftist*. This has facilitated its exploitation by the *political* left for objectives that the Pope may not share. It has also promoted an unfortunate estrangement among Catholic conservatives and free-market advocates. I am not so convinced that the Pope really is so "leftist" at all, and I think he deserves at least *an attempt of appropriation* by the friends of economic freedom.

My second motivation is that many free-market economists have dismissed Francis's message on economic questions as either mistaken or irrelevant. Of course, the Pope is not pretending to be an economist. We would do well, however, to remember Hayek's famous saying that one can only be a good economists if one also understands history, psychology, politics, and ethics. Economics is ultimately about man, and Francis does have deep and practical insights into how the human condition is enlightened by the Gospel of Christ. If *those* insights are *true*, they should also have a bearing on the way in which we think about economic questions and relationships.

In what follows, I will proceed in three steps. First, I will outline some key ideas in Francis's message concerning the economy. Then, I will analyze some critical responses, which I will argue are ultimately insufficient. Third, I will advance a perspective that seeks to find a deeper unity between free-market economics and Francis's message.

Francis and the Idea of Christian Poverty

To provide a synthesis of Pope Francis's thinking on the economy is both difficult and easy. It is difficult, because he has never offered extensive and systematic reflections on such questions; his pronouncements are found here and there, inseparable from a broader moral and spiritual message.

At the same time, he *has said* quite a few things about economic questions, and he is *deeply interested* in economic values and outcomes. Of course, he views them not as isolated technical questions, but as something that also touches upon a Christian pastor of souls. That is what makes my task relatively easy.

Francis's thinking can only be understood within the context of his moral and spiritual principles. These, in turn, are inseparable from his simple and straightforward personality. I will leave it to others to study specific texts in detail; I will simply summarize the Pope's message around the notion of *Christian poverty*. Perhaps we could almost say that Francis is *a prophet* of Christian poverty, and his papal name is no accident in this respect.

⁷ More detailed distinctions can be found in the *indices of economic freedom* produced annually by the Heritage Foundation and the Frazer Institute.



Poverty as a Christian Concern

What I mean by this is two-fold, insofar as the Christian understanding of poverty necessarily entails two different dimensions. First, there is the attitude *towards the poor*. We might also call it the *social and charitable* dimension, which highlights the calling to exercise not only justice but also efficacious charity towards those in need. This has always been a fundamental dimension of Christian ethics, and we find it insisted upon in *Evangelii Gaudium*.⁸

Concerning the principles cherished by liberal economists, the papal document does also acknowledge the value of private property and of the "noble vocation" of entrepreneurship, as long as they are seen in a broader framework and inspired by ethical values. Evangelii Gaudium repeatedly rejects the idea of an "absolute autonomy" of the marketplace not governed by laws and morals. It is critical not only of those who use the markets for selfish purposes, but also of those economists that tend to look at poverty as a secondary problem that should be resolved almost automatically as a side-product of economic growth. In a much-cited passage, he laments: "How can it be that it is not a news item when an elderly homeless person dies of exposure, but it is news when the stock market loses two points?" What troubles the Pope is not the stock market itself, but the tendency to direct our attention to it in a way that turns it into a new idol, and to show practical indifference towards the plight of so many human persons.

Poverty as a Christian Virtue

There is, however, another dimension in Francis's message, which I will argue is fundamental for understanding his thinking as a whole. When it is ignored, the social dimension cannot be fully understood. This second dimension is the more *interior* and *spiritual* dimension, namely *poverty as a Christian virtue*.¹⁴

We find this ideal towards the very beginning of *Evangelii Gaudium*. In an important passage that laments the problem of *consumerism*, the Pope takes the question to a deeper level and argues that "the great danger" of our time "is the desolation and anguish born of a complacent yet covetous heart, the feverish pursuit of frivolous pleasures, and a blunted conscience." This is not just a private issue, because it has profound consequences for our social and religious life: "Whenever our interior life becomes caught up in its own interests and concerns, there is no longer room for others,

⁸ See *EG*, nn. 202–216.

⁹ EG, nn. 189 ("The private ownership of goods is justified by the need to protect and increase them, so that they can better serve the common good"); 203 ("Business is a vocation, and a noble vocation, provided that those engaged in it see themselves challenged by a greater meaning in life; this will enable them truly to serve the common good by striving to increase the goods of this world and to make them more accessible to all.").

¹⁰ EG, n. 56. See also n. 204: "We can no longer trust in the unseen forces and the invisible hand of the market."

¹¹ See *EG*, n. 54.

¹² EG, n. 53.

¹³ See *EG*, n. 55: "One cause of this situation is found in our relationship with money, since we calmly accept its dominion over ourselves and our societies. The current financial crisis can make us overlook the fact that it originated in a profound human crisis: the denial of the primacy of the human person! We have created new idols."

¹⁴ For a synthesis of the Francis' Christian notion of poverty, see Samuel Gregg, "Pope Francis on the True Meaning of Poverty," *Crisis Magazine*, June 5, 2013, http://www.crisismagazine.com/2013/pope-francis-on-the-true-meaning-of-poverty. See likewise Robert Cardinal Sarah, "Reflexiones sobre el sentido de la pobreza en el Papa Francisco," *Palabra* (Marzo 2014), 8–13.

¹⁵ *EG*, n. 2.



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no place for the poor. God's voice is no longer heard, the quiet joy of his love is no longer felt, and the desire to do good fades."16

This message is, I think, at the heart of Francis's thinking and mindset concerning the economic sphere. We find it repeatedly in his personal preaching such as the morning Mass homilies, which in fact rarely focus on the social aspect of poverty. ¹⁷ In his homilies he insists, for example, on detachment from temporal goods and on the battle against worldliness; 18 on the relationship between spiritual poverty and praise of God; 19 and on the search for the true treasure. 20 We find the same idea in statements surrounding the theme of reform of the Roman Curia: the Pope is not so much interested in institutional reforms as he is in the fidelity of the servants of the Church to the spirit of the Gospel, which includes material detachment and poverty of spirit.

Personal Connection

The two dimensions are intimately connected, of course. The social dimension of justice and charity towards the poor can only be effective when there is an interior commitment to treat temporal goods as gifts that ultimately come from God and belong to Him. According Francis, moreover, the relationship goes the other way around, too. There is true charity only when it is accompanied by acts that establish a personal connection with the person in need: "Tell me, when you give alms do you look into the eyes of the man or woman to whom you give alms? [...] And when you give alms, do you touch the hand of the one to whom you give alms, or do you toss the coin?"²¹

The Pope has explicitly disassociated himself from what he calls *pauperism*. Moreover, regardless of the specific methods of helping the poor, to Francis, the key issue is not institutional philanthropy, but the divine call to come out of oneself It is not so much a question of giving material goods to the poor, as of giving oneself.²² This is what helps to restore the dignity of the poor: not things alone, but the personal touch and contact that recognize them as truly human persons.

It is interesting to note that it is precisely the more *personal* texts of the Pope (including his homilies) that highlight the second, *personalistic* dimension of his vision of poverty. I will argue that it is here that we discover Francis's deeper contribution to economic thinking. It is not a technical contribution; it is a vision of anthropology, morality and spirituality that also has tangible economic consequences.

¹⁷ See for example the published collection of homilies in Papa Francesco, *Omelie del mattino* (Vatican: LEV, 2013).

¹⁸ Ibid., pp. 111-113 ("Lontani dalla mondanità," 30 April 2013), 231-234 ("Per smarcherare gli idoli nascosti," 6 July 2013).

¹⁹ *Ibid.*, pp. 247–249 ("I segni della gratuità," 11 June 2013).

²⁰ *Ibid.*, pp. 283–285 ("Alla ricerca del vero tesoro," 21 June 2013).

²¹ Vigil of Pentecost with the Ecclesial Movements, Address of the Holy Father Francis, Saint Peter's Square, 18 May http://w2.vatican.va/content/francesco/en/speeches/2013/may/documents/papa-francesco_20130518_veglia-

See for example Lenten Message of Our Holy Father Francis, 2014,

http://w2.vatican.va/content/francesco/en/messages/lent/documents/papa-francesco_20131226_messaggioquaresima2014.html.



Francis vs. Free-Market Economics: A Preliminary Assessment

From the viewpoint of free-market economists, I think there are essentially three possible ways of evaluating the Pope: (a) Francis's message is incompatible with free-market economics; (b) his message can be reconciled with liberal economics, but only by rendering it irrelevant for economics; and (c) there is a deeper compatibility that is relevant for our understanding of economic freedom.

Interpreting Francis: From Politics to Persons

The first alternative cannot be entirely dismissed, as we have already seen. In *Evangelii Gaudium*, there are sections that are openly critical of an unconditional reliance on the markets. For example, in one paragraph the problem of inequality is attributed to "ideologies which defend the absolute autonomy of the marketplace and financial speculation" and which "reject the right of states, charged with vigilance for the common good, to exercise any form of control."

As some commentators pointed out, however, this criticism should not be hastily applied to any and all positions favorable to free markets.²⁴ The ideology mentioned in the papal document is very rare even among economic liberals, and there are practically no countries that would follow such an ideology.²⁵

No doubt there are expressions in *Evangelii Gaudium* that suggest an antagonism towards market ideologies.²⁶ One might argue that these questions could be given a more nuanced analysis, but in any case Francis has made it clear that he did not intend to take a specific position on strictly economic questions; what he had in mind is moral attitudes within the economic realm, including those that take no real and effective interest in the poor.²⁷ Such attitudes can be condemned without contradicting the principles of economic freedom.

²³ EG, n. 56.

²⁴ See Philip Booth, "Has Pope Francis misunderstood the market economy?," *The Tablet*, December 4, 2013, http://www.thetablet.co.uk/blogs/1/164/has-pope-francis-misunderstood-the-market-economy-.

²⁵ See Nicolás Cachanosky, "Pope Francis, Income Inequality, Poverty, and Capitalism," *Mises blog*, December 11, 2013, http://bastiat.mises.org/2013/12/pope-francis-income-equality-poverty-and-capitalism, providing a good synthesis of relevant economic data. See also Gary Galles, "In Trusting Politics and Politicians, It Is the Pope Who is Naïve," *Mises Daily*, December 28, 2013, http://mises.org/daily/6618/In-Trusting-Politics-and-Politicians-It-Is-the-Pope-Who-is-Na239ve, concluding that "what he objects to is not, in fact, caused by capitalism. It is caused by its crony capitalist caricature, which is a form of government control, not the individual self-determination enabled by capitalism. The confusion in *Evangelii Gaudium* is highly problematic. Spurred by this document, politicians may, in trying to 'fix' capitalism, which is a massive economic blessing rather than the problem, turn to the transfer of even more individual choice to government diktat, resulting in even more crony capitalism. It would eviscerate the widespread benefits of capitalism, and in turn, harm the very people Francis wishes to protect."

²⁶ See for example *EG*, n. 54, stating that "some people continue to defend trickle-down theories which assume that economic growth, encouraged by a free market, will inevitably succeed in bringing about greater justice and inclusiveness in the world." In a somewhat knee-jerk reaction to the document, Gregory Mankiw nevertheless rightly pointed out that "trickle-down' is not a theory but a pejorative used by those on the left to describe a viewpoint they oppose. It is equivalent to those on the right referring to the 'soak-the-rich' theories of the left. It is sad to see the pope using a pejorative, rather than encouraging an open-minded discussion of opposing perspectives." Greg Mankiw, "The Pope's Rhetoric," 30 November, 2013, http://gregmankiw.blogspot.it/2013/11/the-popes-rhetoric.html.

²⁷ Pope Francis stated this explicitly in an interview made after the publication of *Evangelii Gaudium*: "I wasn't speaking from a technical point of view, what I was trying to do was to give a picture of what is going on. The only specific quote I used was the one regarding the 'trickle-down theories' which assume that economic growth, encouraged



When we interpret Francis, it is important to remember that he is mainly focused on the *personal moral dimension*, and may ignore some of the political dimension of these debates. As Rich Lizardo pointed out in relation to an earlier papal pronouncement that lamented "the cult of money," this was spun in the media "as a mere economic speech in which Francis was calling for increased government intervention and denouncing capitalism. Never mind the fact that he never uttered the words 'capitalism' or 'government intervention."

Those of us who are used to public policy debates are sometimes too prone to interpret any statement in terms of those categories, and politically motivated journalists and intellectuals will be keen to find apparent papal support for their policy preferences. In an important paragraph of *Evangelii Gaudium*, however, the Pope expressly tries to avoid this. He insists that he does not intend to favor any specific "political ideology" or attack anyone, and states that he is "interested only in helping those who are in thrall to an individualistic, indifferent and self-centered mentality to be freed from those unworthy chains and to attain a way of living and thinking which is more humane, noble and fruitful, and which will bring dignity to their presence on this earth."³⁰ This may be in tension with some of the expressions of the document, but if one accepts this as a declaration of intent, it should also influence our interpretation of the rest.

Moral Change, Prudent Politics

I should add that when Francis shows interest in practical solutions to reduce poverty, he is not totally naïve about the challenges involved. As Sam Gregg has noted, Bergoglio wrote in a 2001 publication entitled *Hambre y sed de justicia* a statement of skepticism towards traditional welfare policies: "There are Argentines facing poverty and exclusion, and who we must treat as subjects and actors of their own destiny, and not as patronized recipients of welfare doled out by the State or civil society."³¹

The same personalistic principle can be found in *Evangelii Gaudium*, which states: "Growth in justice requires more than economic growth, while presupposing such growth: it requires decisions, programs, mechanisms and processes specifically geared to a better distribution of income, the

by a free market, will inevitably succeed in bringing about greater justice and social inclusiveness in the world. The promise was that when the glass was full, it would overflow, benefitting the poor. But what happens instead, is that when the glass is full, it magically gets bigger nothing ever comes out for the poor. This was the only reference to a specific theory. I was not, I repeat, speaking from a technical point of view but according to the Church's social doctrine. This does not mean being a Marxist." Andrea Tornielli, "Never be afraid of tenderness," *La Stampa*, December 16, 2013, http://vaticaninsider.lastampa.it/en/the-vatican/detail/articolo/30620. Note that the "trickle-down theories" described by Francis is not a reference to academic theories within development economics, but to arguments made by some free-market advocates (naturally described as Francis has understood them).

²⁸ Address of Pope Francis to the Non-Resident Ambassadors to the Holy See: Kyrgyzstan, Antigua and Barbuda, Luxembourg and Botswana, 16 May 2013, http://w2.vatican.va/content/francesco/en/speeches/2013/may/documents/papa-francesco_20130516_nuoviambasciatori.html.

²⁹ Rich Lizardo, "Why Progressives Are Wrong about Pope Francis and Poverty," *The Spectacle Blog*, June 6, 2013, http://spectator.org/blog/53986/why-progressives-are-wrong-about-pope-francis-and-poverty.

³⁰ EG, n. 208.

³¹ Gregg, "Pope Francis on the True Meaning of Poverty" (note 14).



creation of sources of employment and an integral promotion of the poor which goes beyond a simple welfare mentality. I am far from proposing an irresponsible populism."³²

Francis does not rule out state intervention in these areas, but what really matters is that the means are truly effective, and he knows that the assessment of those means is beyond his competence. What is in his competence is the *moral message*, which is a message of solidarity that should influence the way in which we think about economics.³³ Yet, as Phil Lawler has argued, the "argument can be made that capitalism, tempered by a Christian moral framework, is the best available solution to the problem of poverty. Nothing that Pope Francis said [...] would rule out that approach."³⁴

Neutralizing Francis: The No-Conflict View

There is, however, a subtle danger. It is to take this reconciliation to extremes and to argue that the Pope does well to advocate these values, but they have no real economic relevance. They belong to the sphere of moral and spiritual values, and that sphere has no connection with the value-free science of economics.

This would imply that, even considering moral and religious principles as potentially relevant for the economy, they would be rendered scientifically neutral by classifying them as subjective *preferences*, as is typical in mainstream economics. Thus charity, poverty and detachment are *by definition* excluded from the consideration of economics. In consequence, any potential conflict between ethics and economics is resolved by maintaining that there is *no dialogue*, because the parties are talking about entirely different questions.

This view is rarely proposed systematically, but it is a common attitude among liberal economists – perhaps because it may seem advantageous for the defense of free-market economics, as it evades the wishy-washy talk about charity and social justice by declaring them *subjective* concepts that cannot challenge the *objective* truths of economics. Upon closer inspection, this is a dangerous mistake that jeopardizes the entire program of economic freedom.

Towards Integration: Extrinsic Reinforcement

In the rest of what follows, I will explain why this is so and advance a different view, according to which Francis's message *is* relevant for free-market economics *as such*. Correctly interpreted and appropriated, it positively reinforces the advocacy of economic freedom. I will argue that it does so in two ways, firstly, by insisting on the social framework that is *extrinsically* necessary for a

³² EG, n. 204.

³³ See *EG*, n. 58: "A financial reform open to such ethical considerations would require a vigorous change of approach on the part of political leaders. I urge them to face this challenge with determination and an eye to the future, while not ignoring, of course, the specifics of each case. Money must serve, not rule! The Pope loves everyone, rich and poor alike, but he is obliged in the name of Christ to remind all that the rich must help, respect and promote the poor. I exhort you to generous solidarity and to the return of economics and finance to an ethical approach which favours human beings."

³⁴ Phil Lawler, "What capitalists should learn from the Pope's critique," *Catholic Culture*, May 16, 2013, http://www.catholicculture.org/commentary/otn.cfm?id=981. This was written in response to a lower-level papal pronouncement (see above, note 28), but it is largely applicable to *Evangelii Gaudium* also.



Christian vision of economic freedom; and secondly, by pointing towards the moral framework that is *intrinsically* necessary for economic freedom.

Utopian Liberty

I would like to illustrate the first point by sharing a personal experience – a kind of a change of heart. Some fifteen years ago, when I was a young and enthusiastic libertarian, I often came across the following counterargument to my convictions: "Sure, if everyone were as good a person as you are, then your proposal would work, but it won't because people are so selfish!"

Was I flattered? No, I felt completely misunderstood. I was *not* trying to say that people are good; therefore you can give them freedom. I was arguing almost on the *opposite* premises: that people on the whole are *not* good, and they tend to abuse whatever coercive power is available to them – that *power tends to corrupt*, as Lord Acton famously said – so that we need to design our political institutions in a way that minimizes the opportunities for abuse. I was convinced that this would be achieved by reducing the scope of state intervention in the lives of individuals and communities, and by maximizing the scope of personal freedom and responsibility.

I still think that there was a kernel of truth in my youthful convictions, but over the years I came to see that my polite opponents had a point. This can be illustrated by considering a kind of a *virtuous liberal utopia* and contrasting it with some common arguments against economic freedom.

Vices and Freedom

If we imagine a *society of saints* – that is, a society of perfectly virtuous persons – we would expect to find no fraud, no theft, no breaking of promises, no deceit, and so on. In summary, there would be no need to protect oneself against violence or abuse. In consequence, a large part of law enforcement could be done away with, as well as a large part of legislation. This would imply huge economic savings as well as an increase in the scope of personal freedom. Naturally, there might be persons who suffer due to an illness, an accident, or old age, but their needs would be met by the generous charitable activity of the others. Thus there would be no motive for coercive intervention by a state; if one can speak of a *state* at all in such a society, its role would be reduced to a minimum, covering some *coordination* functions that facilitate the various voluntary activities.

Now, contrast this apparently silly utopia with our normal condition, and it becomes evident that one of the principal reasons why many people are skeptical about liberal ideas is that they fear – rightly or wrongly – that freedom would be abused by the strong and the cunning. For example, it is felt that companies will abuse the weakness and ignorance of laborers and consumers; so it is necessary to impose restrictions and compulsory contract terms that favor those workers and consumers. Likewise, large companies will tend to develop into monopolies, so we need to control the growth of firms and to restrict certain activities to state-owned enterprises. Most importantly, free-market rhetoric is seen by many as an excuse for greed and avarice by the wealthy, and this can only be counteracted by redistributive taxation.

Free-market advocates will think that this framework is unbalanced. It is too skeptical of firms and employers, and excessively optimistic about politicians and bureaucrats. It fails to acknowledge the



limits of what can be achieved through law and state intervention, and it is ignorant of the efficiency losses and of the resulting opportunities for corruption. It is too harsh on the wealthy, and it does not appreciate the long-term economic, social and moral damage produced by high taxes and generous welfare policies.

Absolutely true. But that is not all.

In a debate along these lines, it is common that both parties take the underlying *moral* factors as something inherent, stable, and unchangeable, as if the vices of humanity were a physical constant determined by natural laws. This is typical in economics today: the relevance of the moral sphere is rarely even recognized, and if it is, it is treated as an *exogenous* factor, something that cannot be influenced. Thus it was possible for one economist to argue that the *socially optimal level of crime* is a *positive* amount (because the "supply" of crime is taken as an exogenous factor, and the means to eliminate crime have a high social cost).³⁵

This view is understandable. The saintly utopia is not accessible to us. At the same time, the level of virtues or vices *does* vary depending on time and place (the *common* virtues and vices are also subject to variation, as C.S. Lewis once noted). Moreover, virtues *can* be influenced through a range of personal, social and institutional means. In fact, the growth of virtue and discouragement of vice was the traditional scope of education in all civilizations until very recently; it continues to be an important component of the criminal justice system.

Charity and Social Justice

Let me connect this with Francis. He does not speak of endogenous and exogenous factors in economic policy, but his entire discourse implies the conviction that every man and woman is *capable* of personal moral and spiritual change, or *conversion* – and that they need to be *encouraged to change*. Ultimately, that change can never be imposed by force, because it belongs to the sphere of freedom and grace that will always be a mystery to us. Yet it can be encouraged, facilitated, and promoted.

I will, moreover, argue that the direction that Francis encourages is precisely the direction that is necessary for a free society and a free economy. I will limit the argument here to the question of poverty and inequality, themes dear to Francis. Without examining the limits of legitimate distributive taxation, I think we can hold that the practical need for redistributive policies will be less in accordance with the charitable generosity of the better-off members of the society. Ultimately, in a society fully inspired by Christian solidarity, the political argument for government intervention in this area would be close to nothing. In contrast, the greater the indifference and the inaction, the stronger the pressure against economic freedom and private property.

The fact is that *freedom without charity* is not a genuinely Christian option – and even more so, *charity without freedom* is definitely not Christian. It follows that, in the end, the only fully Christian approach with respect to poverty is *freedom with charity* – or charity in freedom, and freedom in charity.

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³⁵ See the classic paper by Gary S. Becker, "Crime and Punishment: An Economic Approach," *Journal of Political Economy* 76 (1968): 169–217.



That is the utopia, but it is also relevant in an imperfect world. There is scope for debate on what can and should be done in any specific context. Francis has not proposed specific policies; he has issued a call to take the question seriously. My interpretation is: if a Christian wants to defend economic freedom, he must take the message of charity to heart, and put it in practice in word and deed.

Free Markets and Solidarity

This does not exclude the search for market-based development and growth. One thing that economic science demonstrates is that you can only have sustainable development if you are able to produce profitably, and the growth of productivity can only be achieved by an entrepreneurial system coupled with flexible labor markets. Nevertheless, there will be people who are unable to produce, and there will be people who stand to benefit from economic growth only after very long time spans. In these circumstances, sound economics must not become an excuse for selfishness. Economic freedom is compatible with charity that seeks to help the poor *more quickly*. This is the message of solidarity that Francis offers everyone:

It means working to eliminate the structural causes of poverty and to promote the integral development of the poor, as well as small daily acts of solidarity in meeting the real needs which we encounter. The word "solidarity" is a little worn and at times poorly understood, but it refers to something more than a few sporadic acts of generosity. It presumes the creation of a new mindset which thinks in terms of community and the priority of the life of all over the appropriation of goods by a few.³⁷

What Francis insists on is that this is not so much a question of economic policies as of an interior transformation that makes it possible to create solutions that are truly effective:

These convictions and habits of solidarity, when they are put into practice, open the way to other structural transformations and make them possible. Changing structures without generating new convictions and attitudes will only ensure that those same structures will become, sooner or later, corrupt, oppressive and ineffectual.³⁸

Now, I am not suggesting that free-market economists should adopt the language of poverty and detachment for *tactical* purposes. They should make it their own and live it out personally. We can oppose socialist and totalitarian ideas for many reasons, but the truth remains that a free society will only be fully acceptable when it is inspired by charity – and by a spirit of Christian poverty.

³⁶ Of course, such help will be truly effective only if it contributes to the development of skills and capabilities that enable persons to help themselves. In most cases, this requires investment in professional education, and the persons in question may be unable to finance such investment, or they may fail to see its long-term advantages. A free-market advocate may argue that there are reasons of principle and pragmatism that favor against public financing; that means, however, that it is necessary to find the resources through other means. A not uncommon attitude among liberal economists is to think, more or less, that it would be good if people were more generous and charitable, but that is not their turf. Yet people are not generous with their talents, time and wealth just because they *feel like it*. They need to be encouraged to be so. That encouragement can take many forms, both personal and institutional. It can be embedded in preaching, or in a friendly conversation, or in tax policy.

³⁷ *EG*, 188.

³⁸ EG, 189.



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Towards Integration: Intrinsic Reinforcement

But is a *spirit of poverty* truly compatible with free-market economics? It may seem that there is an inherent contradiction. I will argue that, in fact, it is precisely the other way around. We can only *truly love freedom*, when we *love true freedom*. Grasping this may be one of the key challenges that define the future of liberal economics.

The Moral Foundations of a Free Society

My argument is based on the question concerning the moral foundations of a free society. The question concerning moral foundations has attracted limited attention among 20th century economists. Many of them hold that free competition and private property do not *necessarily* presuppose egoistic or materialistic values (they add that egoism and materialism may thrive in non-market settings, too). Yet they often suppose that such values are ultimately irrelevant, because market-based institutions are able to produce good social outcomes from bad private motives. This view receives support from the legacy of Adam Smith, who famously argued: "It is not from the benevolence of the butcher, the brewer, or the baker, that we can expect our dinner, but from their regard to their own interest."

This is, however, a misunderstood legacy. Smith was not trying to justify selfishness. He sought to highlight the fact that self-interest and benevolence are not always opposed to each other, and that we need social institutions that enable us to cooperate for mutual benefit even when there is no altruism involved. Moreover, Smith was aware that his argument was only true if one presupposes an adequate legal and institutional framework. He elsewhere insisted on the importance of a reliable system for the administration of justice, and he was worried that businessmen might tend to collude and form cartels or monopolies – in other words, the profit-maximizing logic might turn towards activities that undermine the market itself. 41

As we already saw, we cannot expect people to be faultless, but I would argue that social and economic development has always depended on the extent to which there are men and women who are able to recognize fundamental moral truths, and to practice them in business, politics and other fields of social life. This conviction was broadly shared by Adam Smith and other representatives of the Scottish Enlightenment, who argued that a commercial society depends on certain *underlying virtues*, without which a market-based social order can be neither established nor maintained.⁴²

Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, ed. Edwin Cannan (Chicago: University of Chicago Press, 1976 [1776]), book I, chap. 2, para. 2, available at http://www.econlib.org/library/Smith/smWN.html.

⁴⁰ "Man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only." *Ibid*.

⁴¹ This is what free-market economists call *crony capitalism*, that is, the exploitation of political connections to obtain subsidies, entry barriers and other anti-market privileges. For this reason some have argued that we need to *protect capitalism from the capitalists*, that is, it is necessary to protect a system of open competition, equal entrepreneurial rights and flexible labor markets from those producers and other interest groups that are prepared to use dishonest social and political means including bribery and corruption. This is a huge challenge not only in the so-called underdeveloped economies, but also in Europe and United States.

⁴² Adam Smith dedicates some attention to this in his earlier work *The Theory of Moral Sentiments*, ed. D. D. Raphael and A. L. Macfie (Oxford: Clarendon Press, 1976 [1759]), available at http://www.econlib.org/library/Smith/smMS.html. For an excellent study, see Ryan Patrick Hanley, *Adam Smith and*



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Not a Law of the Jungle

Allow me to insist on this, because it is not uncommon to find those who think that the idea of free markets implies that "everything comes under the laws of competition and the survival of the fittest, where the powerful feed upon the powerless." This, in reality, is a corruption of free-market principles. I will argue that such a corruption is ultimately incompatible with those principles.

Now, free-market economics does not necessarily imply a *specific* moral outlook, and its advocates represent a wide variety of ethical and religious convictions. Economic freedom cannot, however, be consistently defended by a moral *relativist*, because it depends on certain fundamental rights of individual persons and civil communities. These include, among others, the recognition and protection of private property; the right to have one's contracts enforced in efficient and impartial courts; the right to start an honest business without having to bribe public officials; the right to seek employment, or hire an employee, without undue restrictions by vested interest groups that violate both fundamental rights and the common good; the respect of the principle of subsidiarity in the provision of public services; fair and minimal taxation, frugal public spending; the absence of corruption in public office; and a stable and honest system of money and banking.

It is easy to write down these and similar principles – it is very difficult to put them into practice. They can only be obtained and maintained if there are *significant moral and institutional constraints* on the use of violence, deception and other anti-market means. A market economy may *tolerate* some morally dubious activities, but this does not mean that it can be based on a *law of the jungle* in which might is right. The notion of *free competition* is highly misleading if taken literally; it presupposes a delicate framework of moral and legal obligations.

Therefore the foundational principles of economic freedom are ultimately connected to broader principles of social, political and religious freedom, and they all depend on a range of social institutions (including the family), as well as cultural norms and moral commitments, without which a free society can be neither established nor maintained.

Maintaining Freedom

If we wish to defend economic freedom in today's world, we must start asking some serious questions about the relationship between freedom, virtues and economics. This merits serious thinking, because influential thinkers have argued that capitalism *undermines* virtue. 44 Some free-

the Character of Virtue (New York and Cambridge: Cambridge University Press, 2009); Ryan Patrick Hanley, "Social Science and Human Flourishing: The Scottish Enlightenment and Today," Journal of Scottish Philosophy 7 (2009): 29–46. On other thinkers of the Scottish Enlightenment that influenced Smith on ethics, see Samuel Gregg, "Metaphysics and Modernity: Natural Law and Natural Rights in Gershom Carmichael and Francis Hutcheson," Journal of Scottish Philosophy 7 (2009): 87–102. More generally on the history of reflection on the moral foundations of the commercial order, see Samuel Gregg, The Commercial Society: Foundations and Challenges in a Global Age (Lanham, Maryland: Lexington Books, 2007), chap. 1–4.

EG, 53.
 This perspective has a long history, and includes the Scottish Adam Ferguson, a contemporary of Adam Smith. See Andrew M. Yuengert, "Free Markets and Character," *Catholic Social Science Review* 1 (1996): 99–110, pp. 100–105 (examining the arguments of such thinkers as Ferguson, Marx, Karl Polanyi, Charles Wilbur, and Amintone Fanfani).



market advocates have responded to this challenge, but they have tended to go to the other extreme. ⁴⁵ This would ultimately imply that *economic freedom is all you need*, and everything else – both wealth and morality – will follow.

It is probably true that a free-market system will encourage many virtues and positive values, including thrift, honesty, prudence, and peace. Yet it may also have harmful moral consequences, such as the growth of utilitarian and impersonal relationships, and lower esteem for economically unproductive persons. Free-market principles may also be excessively permissive of activities that undermine social morality. An example of this is advertising, which plays a legitimate role in business, yet it may promote an unhealthy culture of consumption, and it often tends towards methods that not only do violence to the dignity of the person but also may contribute to the weakening of fundamental social institutions such as the family. 47

This means that economic freedom is not sustainable as an isolated and autonomous social reality. In this respect, the excesses of the market-based order need to be *moderated* by other cultural factors and institutions. We might say that the market needs the support of other social and cultural institutions, which in turn merit protection – also from the potentially damaging tendencies of the market order. Promoting and protection those institutions and values should therefore not be seen as opposed to economic freedom, because they are necessary for the moral foundations of a free society.

The Relevance of Francis

This proposal made here is not entirely new. Important work in this direction was made by some of the classical economists, and it has been continued in the 20th century by economists such as Wilhelm Röpke⁴⁸ and Michael Novak.⁴⁹ Yet I argue that Pope Francis adds something new to the picture. I would identify two things.

One is that Francis does not propose a system – he calls us to conversion. Systems are important, but they are never enough.

An influential recent argument is that of Richard Sennett, *The Corrosion of Character: The Personal Consequences of Work in the New Capitalism* (London and New York: W. W. Norton, 1998).

⁴⁵ For a critical assessment, see Yuengert, "Free Markets and Character" (note 44).

⁴⁶ The classic argument is that trade has a civilizing impact and will reduce revolutions and wars: see for example Alexis de Tocqueville, *Democracy in America*, ed. J.P. Mayer, trans. G. Lawrence (New York: Perennial Classics, 2000), p. 637.

⁴⁷ On the problem of consumerism, an excellent reflection by an economist that shares free-market principles is Andrew Yuengert, "Free Markets and the Culture of Consumption," in Philip Booth (ed.), *Catholic Social Teaching and the Market Economy* (London: Institute of Economic Affairs, 2007), pp. 145–163. Obviously, unhealthy consumerism may also be promoted by anti-market policies such as artificial credit expansion.

⁴⁸ See especially *A Humane Economy: The Social Framework of the Free Market* (1960). For a systematic analysis, see Samuel Gregg, *Wilhelm Röpke's Political Economy* (Chichester: Edward Elgar, 2010).

⁴⁹ See especially *The Spirit of Democratic Capitalism* (Lanham: Madison Books, 1982). See George Weigel, "American and Catholic: Michael Novak's achievement," *City Journal* (Winter 2014), http://www.city-journal.org/2014/24_1_michael-novak.html; Flavio Felice, "The Spirit of Democratic Capitalism: Thirty years later," *Avvenire*, August 30, 2012, http://www.aei.org/article/politics-and-public-opinion/the-spirit-of-democratic-capitalism-thirty-years-later.

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The second is that Francis insists on the Christian idea of *spirit of poverty and detachment*. This is fundamental, precisely because correctly understood, it strikes at the heart of the challenge. It is not money, but the disordered *love of money* that is the root of numerous evils. That challenge is always present, and it is especially present when there are great opportunities for wealth creation. Yet the problem of greed touches upon everyone, not only the rich, and the temptation cannot be removed by laws. It can only be overcome by moral conversion, by the grasping of the true meaning of freedom, and in this sense freedom is something that must be constantly won anew – not only in each generation, but also in each day of each human person.

Conclusion

I have offered a market-friendly hermeneutic of Pope Francis. I have not argued that Francis is personally favorable to free-market ideas, but that his moral convictions *can be* rendered compatible with sound free-market economics. Not only that: correctly understood, Francis's message in the realm of economic ethics is not only acceptable but also beneficial for economic freedom. That is the paradox. Freedom-friendly economists need not be afraid of the Pope – they should follow him, seek to advise him on his own terms, and make their own message more credible, more attractive, and more consistent.

It would be too much to say that combining Francis's spirit with sound economics would be a way of *baptizing* economics. Economic science is not foreign to Christianity: it has been argued that scientific economic analysis was discovered by the theologians of Salamanca.⁵⁰ Yet Chesterton was right in saying that "the modern world is full of old Christian virtues gone mad."⁵¹ in some sense this is true of liberal economics, too.

There is much to be done. Francis has issued an invitation. He insists on values and principles – poverty, charity, solidarity – that *resonate* in the hearts of people, because they contain important moral and spiritual *truths*. The task left to us is to correctly discern and interpret that message in a way that is both deeper and more practical, making use also of our understanding of economic principles. Naturally, this reflection should be done mainly by lay people that are competent to judge these temporal matters.

Let me emphasize: Francis's message and language may sometimes seem to be in tension with ideas dear to free-market advocates, but instead of a contradiction, that can be a positive tension that helps to purify and enrich our economic thinking – just as sound economics is needed to complete the message of Francis. The outcome of such a synthesis will not be free-market economics *closer to the left*; it will be free-market economics *closer to Christ* – and thus even closer to true freedom, lasting freedom, attractive freedom.

⁵⁰ This seems to have been for the first time clearly acknowledged by Joseph Schumpeter, *History of Economic Analysis* (New York: Oxford University Press, 1954), p. 98.

⁵¹ G. K. Chesterton, *Orthodoxy* (London: John Lane, 1909), p. 53.