Markets and Morals: A Catholic Perspective

Jesús Fernández-Villaverde
University of Pennsylvania

Catholic thinking about the relation between markets and morality starts from our understanding of the common good. The common good is the tapestry of social conditions that allow us, either individually or as communities, to fulfill our goals in life and to attend to matters of ultimate concern. As Catholics, we make claims about what the common good is, illuminated both by faith and reason. Faith gives the Church the ability to "understand, judge and guide human experience and history" and of "God's plan for the created world and, in particular, for the life and destiny of men and women" (*Compendium of the Social Doctrine of the Church*, 74). Reason is built on natural law, whose demands are objective, universal, and intelligible to all humans as they are written in our hearts (*cf. Rom* 2:15).

How does a market economy relate to the common good as illuminated by faith and reason? A market economy is based on private property and freedom of contracts. Private property ensures a sphere of autonomy where families, the fundamental cell of society, can flourish. Freedom of contracts allows individuals to engage in creative activity and become co-participants in the plan of creation, to find better uses for their talents and resources, and to direct economic activity toward the most valuable ends. Consequently, Catholic thinking values both private property and freedom of contracts and applauds a market economy when, as I will describe in a moment, it is well-ordered toward the common good.

Indeed, Catholic thinking realizes that neither private property nor freedom of contracts are absolute rights. They must, instead, be moderated by the universal destiny of goods necessary for the common good and by a wholesome respect for human life and dignity. More concretely, the economic system must respect the counterbalancing principles of solidarity and subsidiarity. Solidarity requires that all can participate in society and have access to the goods required by a culture of life and human dignity. Subsidiarity means that decisions must be taken at the level that is the most immediate to individuals and families while consistent with these decisions' goals.

Catholic Social Doctrine, however, does not draw tight lines of how this moderation of the market economy through the principles of solidarity and subsidiarity should be accomplished. First, because it is not the role of the Church to engage in day-to-day political activity. Second, because the moderation depends on time and place: what might have been a sound policy in the 1950s, where the U.S. economy was focused on industry, may not be a sound policy in 2017, in an economy centered around service and the information technology. And the right means for ensuring a quality education, a fundamental right of all, may be different in the United States than, say, in Kenya. Third, because it falls upon the prudential role of each Catholic layman to judge the theoretical and empirical evidence for one economic policy versus another. I often talk with other Catholic economists. My reading of the empirical evidence regarding, for example, the impact of minimum wages is different from some of my colleagues' reading. Unfortunately, the economy is a complex system and reaching definitive conclusions from the data to sort out among competing theories is hard. While I tend, I must disclose, to be more positively inclined toward the efficacy of the market economy than many of my fellow Catholic economists, I must do so from a position of humility and respect for their good faith.

In conclusion: Catholic thinking is favorably disposed toward markets, but markets must come accompanied by principles of solidarity and subsidiarity to ensure the common good. How to implement those principles is open to a lively debate.

Dr. Jesús Fernández-Villaverde, Ph.D.
Reflections on the Catholic perspective
Presented at:
"Morality & Markets: Jewish, Christian, and Muslim Perspectives,"
April 26, 2016,
Penn Club of New York