

Vatican Perspective: The Global Financial Crisis. Papal Encyclical Coming

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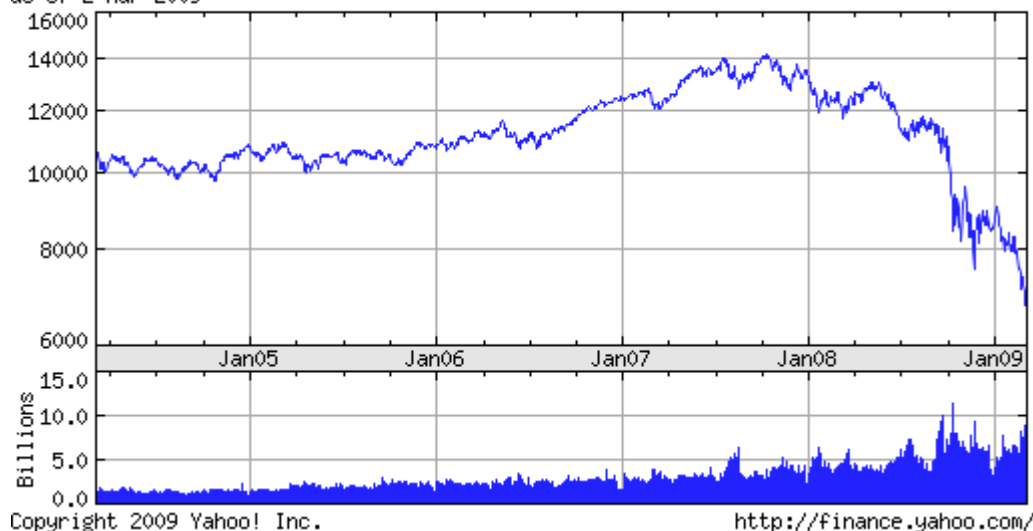
As the 16-month-old disintegration of the post-World War II financial system seems to be accelerating to a climax, Pope Benedict XVI is preparing a major papal encyclical outlining the principles behind a just and stable economy

“Thieves respect property. They merely wish the property to become their property that they may more perfectly respect it.” **G.K. Chesterton**

WASHINGTON, DC, March 2, 2009 — As Wall Street continues to plumb new depths in the 21st century — markets today closed at new multi-year lows, lower than at any time since the mid-1990s — and as global trade flows contract sharply, fears are growing worldwide that the entire financial “architecture” of the post-war period, now seemingly fibrillating, could enter a period of “cardiac arrest” — complete financial collapse — and a global depression of uncertain duration ensue.

(The chart of the Dow Jones Industrial average below, which represents only one country and one group of stocks in the global economy, is given only as an example of the trend. It shows the last five years of prices. The breakdown, with increasing volume of shares traded — shown in billions of shares traded at the bottom — can be seen from October 2007, when the Dow was over 14,000. However, the seeds of the breakdown were sown many years earlier. The Dow closed today, March 2, 2009 at 6,763.)

DJ INDU AVERAGE (DOW JONES & CO
as of 2-Mar-2009



Pope Benedict XVI is about to address the global crisis with a papal letter called an “encyclical,” so named because it is circulated everywhere, around the world. So his message will be intended first for all Catholics, but also all men in every corner of the world, whether in Africa or Asia, in Russia or America.

The Pope’s message fundamentally will be one of hope, no matter how devastating the global financial crisis becomes. But it will not seem hopeful to some, because it will be filled also with truth about how false economic principles and moral ideals can lead mankind toward the abyss, and into it.

On February 26 (last Thursday), the Pope himself gave us a preview of his upcoming encyclical.

During a meeting with pastors and clergy of the diocese of Rome in the Hall of Blessings in the Vatican’s Apostolic Palace, as the *Vatican Information Service* (VIS) reported on February 27, Benedict answered eight questions put to him on matters including the world economic crisis.

The Church has the duty to present a reasonable and well-argued criticism of the errors that have led to the current economic crisis, Benedict said.

This duty, he said, forms part of the Church’s mission and must be exercised firmly and courageously, avoiding moralism but explaining matters using concrete reasons that may be understood by everyone.

Referring to his forthcoming social Encyclical, the Pope then presented a synthetic overview of the crisis, analyzing it at two levels, VIS reported.

First, he considered the systemic, or “macroeconomic” aspects, highlighting the shortcomings of a system founded on selfishness and the idolatry of money. These motivating passions cast a shadow over man’s reason and will, and lead him into the ways of error, the Pope said.

Here the Church is called to make her voice heard — nationally and internationally — in order to help bring about a change of direction and show the path of true reason illuminated by faith, which is the path of self-sacrifice and concern for the needy, he said.

The second aspect of the Holy Father’s analysis concerned the personal and the local sphere (“microeconomics”). Large-scale projects for reform, he said, cannot come about unless individuals alter their ways. If there are no just people, then there can be no justice.

Hence he invited people to intensify their humble, everyday efforts for the conversion of hearts, an undertaking that above all involves parishes whose activity is not just limited to the local community but opens up to all humanity

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Why do we at *Inside the Vatican* believe that the economic situation is a very serious matter? Are we not interested in “more spiritual questions,” like prayer, religious life, the interpretation of scripture, the naming, excommunication, or “un-excommunication” of

bishops, the canonization of saints? With “heavenly” matters, not “earthly” ones?

These are good questions, for it is true that “the Kingdom” toward which the Church is oriented, and in anticipation of which she lives, is “not of this world.”

Why, then, are we deeply interested in the economy?

We are interested in the economy, in the way our economy is structured and functions, because the economy, the structure of human exchanges of labor and knowledge and energies and resources, is the context, the atmosphere, the environment, for many of the moral decisions of people’s lives.

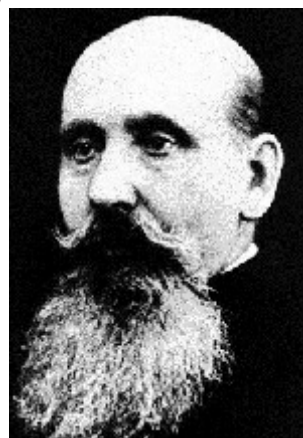
Blessedness, or beatitude, is a condition or state of being which is at once holy and happy, healthy and whole, and it is what we wish for, and seek, in our lives, for ourselves, and for those we love — and, if we are to tell the truth, for all men.

We seek the blessing of a just and fair economy because the economy influences, conditions, enables and at times impedes, good marriages, cohesive and happy families, good sibling relationships, good relations between races, religions, ethnic groups, and economic classes. All of these relationships are affected by economic turmoil, and thus one of the central duties of human governments is to provide, as effectively as possible, the legal and moral context for stable, just and balanced economic development.

Therefore, we will be covering the Pope’s encyclical with great care, and in coming days and weeks, preparing for the encyclical, then analyzing it, then interpreting and applying it.

We offer one preliminary thought.

There is a great tradition of Catholic economic teaching, or social teaching on economic matters. We need to know this teaching in order to engage in the debates of our times, and



propose thoughtful and just solutions to the crisis we face.

Heinrich Pesch (1854-1926, *photo left*) a German Jesuit priest and economist, was influential more than a century ago. It was to the thought of Pesch and his disciples that Pope Pius XI turned in composing his monumental encyclical *Quadragesimo Anno* (1931), and it is from Pesch that John Paul II took many of the ideas of his own social encyclicals, including the key term “solidarism” (solidarity).

Pesch was, above all, concerned with the human beings for whom Christ died. In discussing the business cycle, for example, he wrote, "To be sure, it is said that while business cycles open wounds they also heal them again. Today they cause loss, tomorrow, profit! But what about those cases where loss and profit do not recur to the same people or the same classes of people, so that some are carried to the dizzying heights of wealth, while others are reduced to economic ruin?"

Pope Leo XIII (1810-1903, *photo right*), the 256th Pope of the Roman Catholic Church,



reigning from 1878 to 1903, is known for the development of social teachings with his encyclical *Rerum Novarum*.

Published in 1891, *Rerum Novarum* addressed for the first time social inequality and social justice issues with papal authority, focusing on the rights and duties of capital and labor. He was greatly influenced by Wilhelm Emmanuel von Ketteler, a German bishop who openly propagated siding with the suffering working classes in his book *Die Arbeiterfrage und das Christentum*.

Since Leo XIII, papal teachings have expanded on the rights and obligations of workers and the limitations of private property: Pope Pius XI's *Quadragesimo Anno*; the social teachings of Pope Pius XII on a large range of social issues; John XXIII's *Mater et Magistra* in 1961; Pope Paul VI's encyclical *Populorum Progressio* on world development issues; and Pope John Paul II's *Centesimus Annus*, commemorating the 100th anniversary of *Rerum Novarum*.



We also note the contribution of Gilbert Keith Chesterton (1874-1936, *photo left*), one of the most influential English writers of the 20th century. Chesterton championed the economic theory of "Distributism." Distributism is a "third-way" economic philosophy (between or beyond capitalism and communism/socialism) formulated primarily by Chesterton and his friend, Hilaire Belloc, to apply the principles of

Catholic social teaching in the early 20th century.

According to distributism, the ownership of the means of production should be spread as widely as possible among the general populace, rather than being centralized under the control of the state (indirect socialism) or a few large businesses or wealthy private individuals (capitalism). A summary of distributism is found in Chesterton's statement: "Too much capitalism does not mean too many capitalists, but too few capitalists."

While socialism allows no individuals to own productive property (it all being under state, community, or workers' control), and capitalism allows only a few to own it, distributism seeks to ensure that most people will become owners of productive property.

Note: An **encyclical** was originally a circular letter sent to all the churches of a particular area in the ancient Christian church. At that time, the word could be used for a letter sent out by any bishop. The word comes from the Latin *encyclia* meaning "general" or "encircling". The title of the encyclical is usually taken from its first few words.

Pope Pius XII held that papal encyclicals, even when they are not *ex cathedra*, can nonetheless be sufficiently authoritative to end theological debate on a particular question:

"It is not to be thought that what is set down in Encyclical letters does not demand assent in itself, because in this the Popes do not exercise the supreme power of their magisterium. For these matters are taught by the ordinary magisterium, regarding which the following is pertinent: "He who heareth you, heareth Me." (Luke 10:16); and usually what is set forth and inculcated in Encyclical Letters, already pertains to Catholic doctrine. But if the Supreme Pontiffs in their acts, after due consideration, express an opinion on a hitherto controversial matter, it is clear to all that this matter, according to the mind and will of the same Pontiffs, cannot any longer be considered a question of free discussion among theologians."

—*Humani Generis*

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