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## THE ETHICAL FOUNDATION OF THE MARKET ECONOMY<sup>π</sup>

*Reflection on Economic Personalism in the Thought of Luigi Sturzo*

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## 8.2 “Economy of Sharing” and free market economy

*What is liberalism? It is humanistic, which means: it starts from the premise that the nature of man is capable of good and that it fulfills itself in community, that his destination stretches beyond his material existence and that we are debtors in respect of every individual, as man in his unicity, that forbids us to lower him to simply a means. it is therefore individualistic, or, if one prefers, personalistic.*

(Wilhelm Röpke)

*The basis of natural justice, or of natural rights, can be fixed in the coexistence of rights and the reciprocity of duties; and this transports the subjective value of rights and obligations of the human personality into its objective social order [...] The personality of man, as far as it is rational, is not only the subject of rights but the source of rights, and neither society nor the State is the source of rights, as some think.*

(Luigi Sturzo)

## 1. Introduction

The passages quoted above serve to make immediate the point of view that we intend to make our own in reflecting on the *moral basis of the free market*. Thanks to the stimulus from these two authors, we have already begun to think about the concrete possibility of reconciling some typical aspects of the social doctrine of the Catholic Church with certain characteristic aspects that particular strand of modern liberalism represented by the Austrian school, also called “classic” or “Anglo-American”. We will proceed in this direction, dedicating particular attention to the reflections of an Italian thinker, the Sicilian priest and founder of the Italian Popular Party, Luigi Sturzo (1871-1959). Sociologist and philosopher, he was able, at the end of the last century, to inaugurate a new stage of Catholic political action: *popolarismo*<sup>1</sup>. In 1926, on account of his anti-fascism, he was forced to leave Italy and so to begin a long, sad, but providential exile that he led for 20 years, first in France, then in England, and finally in the United States of America.

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<sup>1</sup> By popularism, we mean the political and economic ideal elaborated by Sturzo in pre-fascist Italy and then later, during his 20-year exile, in France, England, and the United States of America, through that particular associative experiment that was the People and Freedom group. It was founded in London in 1936 by a group of young people, under the sponsorship of the exiled of Caltarigone: «“People and Freedom” was the motto of Savanarola. The people signifies not only the working classes but the entire citizenship, because all should enjoy liberty and participation in governing. The people also signifies democracy, but democracy without liberty would mean tyranny, just as liberty without democracy would become liberty only for some privileged classes, never the entire populace», Luigi Sturzo, *Nazionalismo e internazionalismo*, Zanichelli, Bologna, 1971, p.108.

It is our intention to discuss some of the ethical problems that attach to political and economic institutions — for example, the market and competition -- following the work of this interpreter of Christian social thought, making him converse with some of the more relevant exponents of classic liberal thought.

One relevant bit of support for the task before us comes from Friederich August von Hayek. The Austrian economist, going over the salient stops on the long march of liberal thought in the history of humanity, in the footsteps of Lord Acton, called Aquinas “the first Whig”—the founder of the party of liberty. He also referred back to Nicholas of Cusa and Bartolus of Sassoferrato at the beginning of his investigation into the first political schools that formulated the principal of the “rule of law” and of self-government of communities. (He was referring to the project of *civil society* or *civic republicanism*, dear to the Founding Fathers of the United States and springing substantially from the Christian principal of subsidiarity—*civitas sibi princeps*). «But in some respects Lord Acton was not being altogether paradoxical when he described Thomas Aquinas as the first Whig [and] a fuller account (of the history of liberalism) would have to give special attention to Nicolas of Cusa in the thirteenth and Bartolus in the fourteenth centuries, who carried on the tradition»<sup>2</sup>.

## 2. Four Theoretical Foundations

### 2.1 One line of demarcation between “Liberalism” and “Liberalism”

Before going deeply into an analysis of those principals that in our view could reveal some theoretical foundations in support of our thesis concerning the morality of the free market economy, let us stop and reflect briefly on the possibility of setting up a productive debate with that component of liberalism that, renouncing the excesses<sup>3</sup> of

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<sup>2</sup> Friederich August von Hayek, *The Constitution of Liberty*, translation from Italian edition, Seam, Roma 1998, p. 457, n. 4. In the rest of the essay we will use the phrase “classical liberalism” as a synonym of “Old Whigs”, with the meaning given to the expression by the Nobel Laureate for Economics Hayek: «As opposed to some other very different thinkers, more often found in Europe, who are also called liberals, who are better called ‘Old Whigs,’ and whose outstanding thinkers were Alexis de Tocqueville and Lord Acton»; F. A. v. Hayek, *The Fatal Conceit: The Errors of Socialism*, translation from Italian edition, Rusconi, Milano 1988, p. 99. It should be noted that St Thomas «devised Whiggism to prop religious absolutism»; Rocco Pezzimenti, *Il pensiero politico di Lord Acton. I cattolici inglesi nell’ottocento*, Studium, Roma 1992, p. 130. On the same argument we cite the following essays of Michel Novak: *The Judeo-Christian Concept of the Person*, in “Markets & Morality”, 2/1998, pp. 107-121; *The Catholic Whig Revisited*, in “First Things”, March 1990, pp. 39-42.; and also by Robert Sirico, *The Economics of the Late Scholastics*, in “Markets & Morality”, 2/1998, pp. 122-129; Rocco Buttiglione, *The Moral Mandate for Freedom. Reflections on Centesimus annus*, Occasional Papers, Acton Institute, Grand Rapids, 1997. On Bartolo da Sassoferrato we cite the bibliographic references presented in the essay of Antonio M. Baggio, *Riflessione su alcune categorie politiche alla luce della rivelazione trinitaria*, in AAVV, *Abitare la trinità. Per un rinnovamento dell’ontologia*, edited by Piero Coda and Lubomir Zak, CittàNuova, Roma 1998, pp. 173-236.

<sup>3</sup> «Although the classical liberal tradition sprang out of a Christian humanism rooted in the scholastic tradition, some of the classical liberals of the eighteenth and nineteenth centuries, while keeping the scholastic’s habit of rigorous social thought, abandoned their high regard for ecclesiastical and social authority. And the Church, during certain periods, has strongly criticized what was construed to be the free society, partly because some social thinkers conflated the theories of economic liberalism with moral

rationalism, utilitarianism, and materialism, has shown the contiguity of its own positions with those typical of western thought, particularly with the Judeo-Christian tradition. On this matter, it is indispensable to underline the profound line of demarcation between the two principle strands of modern liberalism. On one side we have the British tradition which we call *classic liberalism*: empirical, asystematic, and anti-utopian. It is traceable to the “Old Whig” English political tradition, to the English and Scottish moral philosophy of the 18<sup>th</sup> Century and to that of America, in particular, the version found in the Federalist Papers. It attributes to the spontaneous order of civil society the defense and promotion of liberty: «Experience must be our only guide. Reason may mislead us. It was not Reason that discovered [...] the odd and, in the eye of those who are governed by reason, the absurd mode of trial by Jury. Accidents probably produced these discoveries, and experience has given sanction to them. This is then our guide»<sup>4</sup>. On the other hand we have the continental tradition, in particular, the French style of liberalism: rationalist, utilitarian, and materialistic. It recognizes one relevant intentional function for public power<sup>5</sup>. Wishing to make a sufficiently clear distinction, though necessarily one not including all the exceptions, we have to consider the two streams in their relatively pure forms, as they appeared in the 18<sup>th</sup> and 19<sup>th</sup> Century. The so-called British style is represented in a special way by the Scottish moral philosophers such as David Hume, Adam Smith, and Adam Ferguson, but also by the French thinkers Montesquieu and Tocqueville, not to mention the contemporaneous English thinkers Josiah Tucker, Edmund Burke, and William Paley, drawing from the established tradition of common law. On the opposite side, we have the tradition of the French Enlightenment, permeated with Cartesian rationalism and guided by the Encyclopedists, by the physiocrats, by Rousseau, and by Condorcet. The differences have been well identified by Talmon who, undertaking his study of the origins of totalitarian democracy, thus summarizes the two versions of modern liberalism: «One finds the essence of freedom in spontaneity and the absence of coercion, the other believes it to be realized only in the pursuing and attainment of an absolute collective purpose [...] one stands for organic, slow, half-conscious growth, the other for doctrinaire deliberateness; one for trial and error procedure, the other for an enforced solely valid pattern»<sup>6</sup>.

## 2.2 Building a new relationship

The point of departure from which to start this little debate seems to us well synthesized in one key passage from the inaugural discourse given by Nobel Laureate for Economics Friederich Hayek, on the occasion of the first meeting of the Mont Pelerin

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libertinism, viewing them as one in the same and as mutually reinforcing»; Robert Sirico, *Toward a New Liberty*, in *Religion & Liberty*, September and October 1997.

<sup>4</sup> John Dickinson, *The Records of the Federal Convention of 1787*, edited by M. Farrand, Yale University Press, New Haven 1937, p. 278, passed cited in F. A. von Hayek, *The Constitution of Liberty*, cit., p. 474 n. 33.

<sup>5</sup> See F. A. v. Hayek, *The Constitution of Liberty*, cit., p. 91; and also see Valerio Zanone, *Il liberalismo moderno*, in *Storia delle idee politiche economiche sociali*, edited by L. Firpo, VI, UTET, Torino, 1989, p. 215; On the distinction between the two currents of liberalism see F.A. von Hayek, *Liberalismo*, Ideazione, edited by Lorenzo Infantino, Roma 1996, pp. 33-38.

<sup>6</sup> J. S. Talmon, *The Origin of Philosophic Radicalism*, cited in F. A. v. Hayek, *The Constitution of Liberty*, cit., p. 56.

Society in 1947. Hayek confronted the tendency to perpetuate the contrast between those who defend liberty on a secular basis and those who instead defend the same in religious terms when he asserted with force: «It is this intolerant and fierce rationalism which is mainly responsible for the gulf which, particularly on the Continent, has often driven religious people from the liberal movement [...] I am convinced that unless this breach between true liberal and religious convictions can be healed there is no hope for a revival of liberal force. There are many signs in Europe that such reconciliation is today nearer than it has been for a long time, and that many people see in it the one hope of preserving the ideal of Western civilization. It was for this reason that I was especially anxious that the subject of the relation between Liberalism and Christianity should be made one of the separate topics of our discussion»<sup>7</sup>.

### 3. Methodological Personalism

#### 3.1 Person: individual and community

The first theoretical foundation on which the morality of a free market economic system rests is taken from *methodological individualism* or rather, *methodological personalism*<sup>8</sup>. At the base of this interpretation of political, economic, and cultural phenomena, social institutions are judged as the unintentional result of intentional actions, brought into being by subjects that set themselves the task of improving their own existence, using the instruments at hand, in the human condition of limitation and fallibility<sup>9</sup>. Carl Menger, one of the fathers of the Austrian school, writes on this matter, «All these social institutions (rights, the State, the market, the city, language) are, in their various phenomenological forms and in their incessant mutation, in no small part the spontaneous product of social evolution; the price of goods, interest rates, land rents, salaries and a thousand phenomena of social life and of the economy in particular demonstrate exactly the same characteristics»<sup>10</sup>. By this we mean that the market, although it is a spontaneous order, is not a natural datum, but an artifact, albeit a very complex artifact. It is the non-intentional fruit of actions brought into being by persons

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<sup>7</sup> The passage is quoted by Michael Novak, *Seven Whig Amendments to the Liberal Theory of Liberty*, in M. Novak, *On Cultivating Liberty. Reflections on Moral Ecology*, edited by Brian Anderson, Rowman & Littlefield, Lanham 1999, p. 36-37; the passage is available in Italian in di M. Novak, *Spezzare le catene della povertà. Saggi sul personalismo liberale*, edited by Flavio Felice, Liberilibri, Macerata 2000.

<sup>8</sup> A rich school very engaged to spreading the idea of “methodological personalism” is that of “Economic Personalism”, constituted by thinkers like R. Buttiglione, M. Novak, R. J. Nehuauus, R. Sirico; M. Ziemba, G. Weigel. «Economic personalism is a science of the morality of markets – an attempt to analyze the moral ramifications of economy activity in light of a theological vision of the human person [...] There are various kind of personalism [...] Economic personalism derives mainly from its current Polish definition. Polish personalism has its roots in a group of mostly Catholic intellectuals and churchmen [...] The common ground of these thinkers was the philosophical methodology of phenomenological realism»; Gregory M. A. Gronbacher, *Economic Personalism: A New Paradigm for a Humane Economy*, Occasional Paper NO 10, Acton Institute, Grand Rapids 1998, pp. 1-4.

<sup>9</sup> «Well, which is the way that lead us to serfdom and how to avoid it? To avoid serfdom – Hayek answered – we must demolish the conceit of our reason. We must admit at once that the Socratic maxim, according to which “the recognition of our ignorance is the principle of wisdom”, this has a profound significance for understanding our society»; D. Antiseri, *Liberi perché fallibili*, Rubettino, Messina, 1995, p. 56.

<sup>10</sup> Carl Menger, *Principi di economia politica*, UTET, Torino, 1936, p. 112.

capable of reflection and of choice, whose the autonomy and freedom allows them to act, having as their object the common good<sup>11</sup>.

In what way can the Christian social thinker find a point of contact with liberal individualism, even in its Austrian version?<sup>12</sup> On this point we believe that the reflections of Luigi Sturzo are able to help us capture the substance of the questions that we are going to elaborate by and by, offering us an inestimable font of reflection and of ideas.

As the theme of individual liberty weaves itself inevitably with that which we have called - with a bit of courage and lack of caution - *methodological personalism*, we believe that this can be better understood if, as a key to understanding, we assume a reference to Christian anthropology: *the central, unitary, and transcendent character of the human person*. The peculiar characteristic of Sturzian personalism is his tireless pointing out of the risks to those who labor in the modern democracies should they lose sight of the unitary character of personal life and its horizontal ethic. This is described by our author as «the tendency of each one to make himself the center of his own internal and external activity, to expand himself, to fulfill himself and his own powers, to search inside himself and outside for what responds to his needs, to his aspirations, to life»<sup>13</sup>.

On the one hand, at the center of that which we have sought to define as *methodological personalism*, there is the profound conviction concerning the primacy of the individual in society<sup>14</sup>. Society is always a *means* and never an *end*, since the end is Man. In Sturzo's perspective, moreover, society appears as a «projection multiple, simultaneous, and continuous with individuals considered in their activity»<sup>15</sup>. The use of the term *projection* appears to us particularly interesting as it indicates an element of continuity and of relation - and not of separation - between the two subjects, to the point that we retain the ability to affirm that society, as a projection of free, responsible, and creative human actions, reflects the same characteristic as the subjects who with their actions contribute to its constitution.

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<sup>11</sup> «The idea [...] of the market as a spontaneous order, may be illuminating insofar as it generates insight into the ways in which unplanned market exchanges may coordinate human activities better than any plan; but it is profoundly misleading if it suggests that the institutional framework of the market process is given to us a natural fact, or can be deduced from any simple theory»; John Gray, *The Moral Mandate of Market Institution*, IEA, Health and Welfare Unit, Choice in Welfare Series No. 10, London 1992, p. 29.

<sup>12</sup> «The methodological individualism of the most advanced currents of contemporary economic thought reduces any economic phenomenon to the agent who is engaged in it, that is to say, to the man who chooses and decides through his action the reality around him [...] Undoubtedly this constitutes a similarity to Wojtyła's approach in *The Acting Person*. In this line, therefore, a comparative reading of L. von Mises's *Human Action* with *The Acting Person* would be very engaging»; R. Buttiglione, *Karol Wojtyła: The Thought of the Man who Became John Paul II*, Eerdmans, Grand Rapids 1997, 379.

<sup>13</sup> L. Sturzo, *La società, sua natura e leggi*, Zanichelli, Bologna 1960, p. 35.

<sup>14</sup> «On the one hand, the person is an irreducible subject, who cannot be understood merely as the sum of his emotional states, brought about by internal and external conditioning. The lived experience of efficacy and responsibility forces us to admit that the person has a substance, which activates itself in emotional states but which also transcends them in relation to the truth. In this sense the person is not, first of all, relation but substance» R. Buttiglione, *Karol Wojtyła...*, cit., p. 361.

<sup>15</sup> See AA.VV., *Il popolarismo sturziano pietra d'angolo per l'Italia del 2000*, CISS, Roma 1995, pp. 5-15.

### 3.2 The “Father-Son” dialectic

On the other hand, from a theological point of view, the Christian anthropology, to which the social doctrine of the church makes reference, is based on the principal of the transcendent dignity of the human person, and on its fulfillment through encounter with the *other*, life *with* the other and not *against* the other. The method of knowledge that is here proposed - *methodological personalism* - is the attentive consideration of intersubjectivity - or reciprocity - that permits us to not consider the individual in his separateness from the *other*. On the contrary, the *other* is the key through which we are able to reveal the precious and secret treasure chest that is in us and to uncover the immense treasure which God has given us: «A human being fully discovers himself only in the engagement with another human being. Besides, the discovery of oneself, the self-consciousness, is for the Christian Church not an accessory but an integral element of human self realization. The form of the relationship with the other deeply enters into the success and the failure of man in the realization of the task of fulfilling his own human essence, which is by nature dynamic»<sup>16</sup>. When all is said and done, this method helps us to comprehend the relation between individuals and their existence one with the other, their joining together, and the knowledge of themselves acquired in relation with the other. Among human relations, the Father-Son relationship is, *par excellence*, that in which the affirmation of each one's dignity is bound to the affirmation - and not the negation - of the dignity of the other: the father can be considered father in the son and through the son. It is the son that reveals that particular and decisive profundity of his personal existence that consists in the being of the father. At the same time the son is son according to the father and through the father; these considerations not only reveal to him the profoundness and the significance of personal existence in general, but ,really, cause him to exist, to join him in existence<sup>17</sup>. The *Father-Son* dialectic is poles apart from that social anthropology that has as its principal hermeneutic the hegelian dialectic of *slave-master*. In the latter dialectic, the struggle between the two subjects, beyond constituting the basic idea of its notion of social justice, represents a complex interpretation of the situation of the human in the cosmos. That places itself against what St. Thomas, referring back to Aristotle, calls an original *political friendliness* that stands at the foundation of life together in the city, and implies reciprocal help in the realization of the common good. The Father-Son dialectic allows us to regard man not only in general, but also and above all in the moment of fulfillment with other humans: this develops the proposition of *acting with others*, and helps us to comprehend the very moment in which society is born and bonds together. Our commitment is to understand both the human dimensions - personal and communitarian - and to show how it is possible from the *economic personalism* point of view to articulate arguments for the morality of a free market economy, giving special attention to Sturzo's thoughts.

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<sup>16</sup> R. Buttiglione, *Karol Wojtyla...*, cit., p. 362.

<sup>17</sup> See John Paul II, *Dives in misericordia*, November 30 1980, IV,5-6; see Stanislaw Grygiel, *L'uomo visto dalla Vistola*, CSEO, Bologna 1978; see R. Buttiglione, *L'uomo e il lavoro*, CSEO, Bologna 1982, chap.1.

## 4. Liberty in its Entirety and indivisibility

### 4.1 Human liberty, risk and competition

A second theoretical foundation that should enable us to link classic liberalism and the doctrine of the market economy to the Christian tradition, is given in the *interdependence among moral, political, economic, and cultural liberty*, or rather of *liberty in its entirety and indivisibility*. Therefore it is possible to take the conclusions that personal liberty without economic liberty is not possible and vice versa<sup>18</sup>. A social order coherent with the liberal personalist tradition distinguishes itself from a command-constructivist one through the practical answers that it is able to give to concrete political problems. For this reason, we affirm that, in the fields of politics, of economics, and of culture, the characteristic central feature of the liberal personalist solution is the conviction that a correct competitive system is preferable to the centralized, monopolistic command, working of the state. At the center of the competitive system, in harmony with the principle of subsidiarity there is the spontaneous and creative work of civil society, able to increase the possibility of choice on the part of single individuals, with the end of obtaining a more efficacious answer to the real needs of the citizens and a greater respect for the liberty, dignity, and responsibility of the person.. The principle of subsidiarity encloses as well a positive demanding aspect as a negative negating one. In its positive sense the principle demands from a hierarchically higher level of social organization in case of necessity the support of an inferior one by helping her to become self-sufficient. In its negative sense the principle forbids that a higher level of social organization assumes functions which can be fulfilled by an inferior one. From the liberal social thought point of view, it means the certainty that subjects must directly "manage" own services, leaving to the state an auxiliary role (subsidiary), whereas to the society that of leading actor<sup>19</sup>.

The preference for the competitive process over the command, monopolistic one, springs from a double base of practical observation. On the one hand, if the personal liberty is taken as normative premise, no entity- neither the state nor parties — is given the right to eliminate the risk, the limits, or the ignorance of the human experience — should it even be able to do so. On the other, the reality of human existence is before the eyes of all: man acquires his own store of knowledge passing through a process of research and of selection of bits of information that falsify or confirm what has happened before, without any preventative guarantee concerning the results. As said above, Sturzo points out that there should be an unavoidable link between economic risk and competition, given on one side, the limitations and ignorance of human nature, and on the other, the innate tendency of humans to expand the borders of their knowledge.

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<sup>18</sup> Raimondo Cubeddu, *Atlante del liberalismo*, Ideazione, Roma 1997, p. 10.

<sup>19</sup> Since we are going to define the principle of subsidiarity in the course of this essay using arguments coming from the social Catholic tradition, we would now like to offer a contribution from one of the most important statesmen of American history: «The legitimate object of government is to do for a community of people whatever they need to have done but cannot do at all, or cannot so well do for themselves in their separate and individual capacities. In all that people can individually do as well for themselves, government ought not to interfere»; Abraham Lincoln, cited in Peter Berger e Richard John Neuhaus, *The Empower People: From State to Civil Society*, AEI Press, Washington D.C., 1996, p. 141.

Competition, therefore, and the subsequent risk, are the extraordinary ingredients of real human experience that allow us to go beyond our natural limits, in a continuous and courageous search for better solutions. We have before us a broad range of choices, limited knowledge, and an irreducible pluralism of intentions. The competitive process involves ideas, persons, associations, enterprises - indeed, both those things that look after economic matters and those that do so in politics - which are based on that special human link that is established between fallible and limited persons, in common, but variegated, tension, in order to increase their own existential condition.

#### 4.2 “*Cum-Petere*” as inalienable social virtue

From this perspective, it is possible to conclude that arrogating to ourselves the right to eliminate risk (that is, inescapable human ignorance) inhibiting the competitive process - aside from representing a useless squandering of energy - causes thereby grave damage to society, paralyzes the natural flow of human activity, and deprives the person of the necessary shove toward interpersonal relationships, which can be considered important for the person life, hinders discoveries, and personal and social responsibility<sup>20</sup>. A classic text on the social relevance of individual risk is given in the following passage from Luigi Sturzo: «*Vexatio dat intellectum*; the human, to comprehend and thus to act, has need of a compulsion, both spiritual and material. Risk contributes to well being of both the spirit and the body. Risk contributes to the compulsion, to upbringing, to strength, to force, to intellectual speculation, to the preparation of plans, to the overcoming of obstacles; it favors the spirit of conquest»<sup>21</sup>. We are able to conclude therefore that by competition, we mean the sound, natural, and stimulating aptitude of all humans for seeking to improve their own condition here on earth, to work in competition to bring into existence the conditions that favor the realization of a society more liberal, more in agreement, and more responsible. There is no need to mention that competition derives from the Latin *cum + petere*, that is, to strive together.

The social dimension of competition and of risk that educate us, delineated in the passage from Sturzo, is emphasized and highlighted by another passage, this time from Michael Novak, which maintains that competition is entirely the opposite of a defect. «It is, in a sense, the form of every virtue and an indispensable element in natural and spiritual growth. Competition is the natural play of the free person. All striving is based upon measurement of oneself by some ideal and under some judgment»<sup>22</sup>. Although they have different shades of meaning, we must notice interesting analogies between the interdependence typical of the tradition of classic liberalism and the reflections Sturzo has dedicated to the same theme.

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<sup>20</sup> «There can, then, be no doubt that the catastrophic failure of Soviet-style planning is in large part to be accounted for by the absence of the benign incentives provided by the disciplines of market competition and the presence of incentives to mismanagement and mal-investment. The deeper explanation of the failure of socialist central planning is, however, not one that appeals to artificial distortion of incentives, but one that invokes instead insuperable limitations of human knowledge»; J. Gray, *The Moral Mandate...*, cit., p. 6.

<sup>21</sup> Luigi Sturzo, *Le profezie verità*, edited by Francesco Pasquariello, Edizioni Centro Sturzo, Torino, p. 39.

<sup>22</sup> M. Novak, *The Spirit of Democratic Capitalism*, Madison Book, Lanham 1991, p. 347.

The Sturzian kind of liberty is *liberty in its entirety and indivisibility*. If we look at it from one side, we recognize it as a spiritual gift, a good in itself, capable of rendering man able to search for the Superior Good. From the other side, one cannot study it without giving proper consideration to those guarantees that, at any given historical moment, render social liberty effective. For this reason, it involves human experience in all its aspects. Although Sturzo considers this idea inborn in man, it must be re-gained and defended day by day. Therefore, according to our author, among political, economic, and ethical-cultural liberty there is no opposition, but rather a profound relation that tends, if properly managed, toward the creation of a particular social order in which democracy, the market, and pluralism represent the elements supporting social life: «If liberty is violated in the economic playing field, it is damaged also, in my opinion, in the cultural one, in the political and social one, and vice versa. There is no example in history of a liberty that hangs together by itself»<sup>23</sup>.

## 5. The Tripartite Nature of Power

### 5.1 Social anti-perfectionism and institutional order

The third theoretical foundation according to the morality of a free market economy, is related to the *theory of the tripartite nature of power*, or rather, of the *separation of powers*. It is without doubt a fact that this represents a kind of minimal common denominator of the liberal tradition in all its variations<sup>24</sup>, so we must specify that we associate this institutional form with the more ample philosophical theory of the fallibility and limitations of human action that we will here call *social anti-perfectionism*. Against the social utopists and constructivists, the liberal personalists think that human nature is dramatically injured from the original sin and, as a consequence, also the social institutions springing from the political, economic and cultural human action appear marked out by the same injure, reflecting the perfectible, but never perfect human nature.

The interpretive perspective in which we move is that expressed by Hayek in his *Law, Legislation, and Liberty*: «When Montesquieu and the Framers of the American Constitution articulated the conception of a limiting constitution that grown up in England, they set a pattern which liberal constitutionalism has followed ever since. Their chief aim was to provide institutional safeguards of individual freedom and the device in which they placed their trust was the separation of powers»<sup>25</sup>.

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<sup>23</sup> Luigi Sturzo, *Il Giornale d'Italia*, October 16, 1957.

<sup>24</sup> On the matter of the historical relevance of the separation of powers in the Anglo-Saxon world, we cite a passage from W.S. Holdsworth, *A History of English Law*, London, 1938, X , p.713, cited in F. A. von Hayek, *The Constitution of Liberty*, cit., p. 571 n. 80: «If a lawyer, a statesman, or a political philosopher of the eighteenth century had been asked what was, in his opinion, the most distinctive feature of the British constitution, he would have replied that its most distinctive feature was the separation of powers of the different organs of government».

<sup>25</sup> F. A. v Hayek, *Law, Legislation and Liberty; a New Statement of the Liberal Principles of Justice and Political Economy*, Chicago, University of Chicago Press, p. 1.

Using this interpretive key, we affirm that democracies cannot function if they are not controlled, not managed, not disciplined and, above all, if they are not limited by mechanisms placed in defense of the rights of individuals. Thanks to these limits and adjustments both the economic system and the political system do not operate in a sphere without restraints, and their liberty is regulated by other liberties, even as each power is limited by a counterpower and each office is counterbalanced by a counterpart. According to Hayek, the reason that requires the use of some “checks and balances” for the control of power and of the spheres of liberty resides in the maxim of Lord Acton: “*power tends to corrupt; absolute power corrupts absolutely*”. From this simple and spontaneous observation can be derived this political principal: *never place your trust in someone with excessive power*. Anti-perfectionism, as here understood, is born of the observation that democracy is a method that establishes what the laws will be on the basis of a fixed institutional political arrangement characterized by the active roll played by a large part of the population in the process of the formation of political opinion and of the selection of the ruling class. It is to be considered an *instrument* and not an ultimate *ideal*, since it doesn’t have even the possibility of indicating what should be the ends that the constituted power should follow. From that, it derives that democracy will be judged not as a value — since it is a means — but rather for that which it will be able to fulfill, and that will be limited in light of the ends that we wish for it to realize<sup>26</sup>.

A classic text on which the theory of *social anti-perfectionism* is based comes to us from one of the Founding Fathers of the United States, James Madison. At the time of the ratification of the American Constitution, together with Alexander Hamilton and John Jay, he directly addressed the electorate of the State of New York through essays published in the daily newspaper *New York City*. These were later collected under the name *The Federalist Papers*. He handed down to history one of the most brilliant passages on the need for the constitutional fortunes of a nation to take into account, before all other considerations, the limitations of the physical and moral constitution of the human person<sup>27</sup>. In a now famous passage from Federalist No. 51, he affirmed: «But what is government itself but the greatest of all reflections on human nature? If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary. In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself. A dependence on the people is, no doubt, the primary control on the government; but experience has taught mankind of auxiliary precautions»<sup>28</sup>.

## 5.2 Social anti-perfectionism and Catholic social teaching

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<sup>26</sup> See F. A. v. Hayek, *The Constitution of Liberty*, cit., p. 149-163; Joseph Schumpeter, *Capitalism, Socialism, Democracy*, Italian translation, Etaslibri, Mialno 1994, p. 231: «Democracy is a political method, that is to say, a certain type of institutional arrangement for arriving at political--legislative and administrative--decisions and hence incapable of being an end in itself, irrespective of what decisions it will produce under given historical conditions. And this must be the starting point of any attempt to define it».

<sup>27</sup> «...the Constitution which the new American nation was to give itself was definitely meant not merely as a regulation of the derivation of power but as a constitution of liberty, a constitution that would protect the individual against all arbitrary coercion», p. 182

<sup>28</sup> James Madison, *The Federalist Papers*, A Mentor Book, New York, 1961, n. 51, p. 322.

In this outline, it might be said, that two cultural and theological traditions confront each other: the utopian, and the realistic. Revolutionary utopians maintain that the font of evil is to be sought in specific social structures and in particular systems (capitalism, democracy, the market, competition...). Their removal alone will yield the final extinction of evil. Realists, on the contrary, maintain that the root of evil stands in the physical and moral constitution of individual humans, and that no social system, however well-thought-out, would be in a position to eliminate sin or limits from the sphere of human nature<sup>29</sup>.

The Catholic reflection on this theme is extremely rich. Luigi Sturzo, contested the revolutionary assumption of the age, according to which it would be a “dogmatic” impossibility for Catholics to be democrats. He confuted the interpretation, shared by many, of the distinction between thesis and hypothesis that “*Civiltà Cattolica*” (the Jesuit magazine) made, on the occasion of the promulgation of the *Syllabus* (1864). There were many who held that the *thesis* (ideal) of the Catholic Church is reaction and authoritarianism, while the *hypothesis* (the concrete case) is democracy and liberty, accepted only as a tolerable reality, but not a preferable one. Sturzo set himself against this interpretation and proposed one diametrically opposite: «I take this occasion to try to wipe out the myth that has been created around this distinction between *thesis* and *hypothesis*. The *theses* are the ethical and religious principals of society of which the Church is upholder and defender. The *hypotheses* are the various historical fulfillments of society, where in one way or in another these principals are carried out and made concrete in institutions, customs, and laws of various value. Therefore, living reality is always a *hypothesis*, that is, a given fulfillment (unfortunately incomplete and limited as are we humans in our individual life) of those principals that are eternal, since they are based on the laws of nature and of revelation»<sup>30</sup>. When all is said and done, for Sturzo, political society could be authoritarian, patriarchal, feudal, aristocratic, democratic, or mixed, but each of these historical realities will never be able to represent the thesis, the ideal, but rather a hypothesis, at times good, at times bad, but always laden with imperfections. In each practical historical reality of any ideal of political society, we will notice deficiencies of various natures that invite us to a tenacious and courageous reforming work that will never have end.

In this vein, John Paul II, in his the reflections on the limits of human nature takes the same position. He remembers that, although man was created for liberty, he carries in himself the signs of original sin that render him in need of redemption every day. This truth is not only an integral part of Christian revelation, but it also has great hermeneutic value for social, political, and economic reality, as an aid to understanding complex human reality. Therefore, at the point of departure in a debate over political systems, we cannot fail to take into consideration the fact that *the perfect society does not exist*. The strength and balance of a social order depend on the measure in which it takes proper account of this principal of *anti-perfectionism*, and in the measure in which the subjects that constitute it show themselves able to work an institutional synthesis between personal

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<sup>29</sup> See M. Novak, *The Spirit of Democratic Capitalism*, cit, pp.82-92.

<sup>30</sup> L. Sturzo, *Nazionalismo e ...*, cit., p.61.

interests and the interests of society as a whole<sup>31</sup>. «The human person (he writes in *Centesimus annus*) tends toward good, but is also capable of evil. One can transcend one's immediate interest and still remain bound to it [...] When people think they possess the secret of a perfect social organization which makes evil impossible, they also think that they can use any means, including violence and deceit, in order to bring that organization into being. Politics then becomes a “secular religion” which operates under the illusion of creating paradise in this world»<sup>32</sup>.

## 6. The Creative Capacity

### 6.1 The creative subjectivity of the human person

The fourth and final theoretical foundation, corollary to the three preceding ones, is derived from the *creative capacity*, that is, the *creative subjectivity of the human person*. On the side of the tradition of Austrian-School liberalism, this principal is appropriately synthesized in the following passage from Israel Kirzner: «market capitalism (*is to be understood*) not simply as a set of institutions governing exchanges [...] but as an ongoing process of creative discovery. What one witnesses in a market economy, at any point in time, are nothing but attempts by market participants to take advantage of newly discovered or created possibilities [...] The process of creative discovery is never completed, nor is it ever arrested»<sup>33</sup>.

A similar attitude that flows from an anthropology inspired by the Jewish-Christian culture and tradition serves to highlight *the creative subjectivity of the human person*. In this concept the right of political and economic initiative is an inalienable right, since it is founded on the transcendent dignity of the human person, molded by the Creator in His image and resemblance. Taking the Catholic social thought, man also participates in the vocation of creation in the political, economic, and cultural fields. Sturzo, in complete harmony with the social doctrine elaborated later by John Paul II, affirms the superiority of human capital (Lat., *caput*), placing on the first level the problem of free choice<sup>34</sup>. This aspect of his thought places the Italian priest among the interpreters of Christian thought inspired by liberalism. With tenacious research work, they have contributed to the establishment of a renewed relation among *democracy*, the *spirits of enterprise* and of *initiative*, *ethical-cultural pluralism*, and the *modern social doctrine of the Catholic Church*<sup>35</sup>, the rich and ancient tradition that has undergone an acceleration thanks to the

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<sup>31</sup> See John Paul II, encyclical letter *Centesimus annus*, May 1, 1991, no 25.

<sup>32</sup> *Ibidem*.

<sup>33</sup> Israel Kirzner, *Discovery and the Market Process*, University of Chicago Press, Chicago 1985, pp. IX-X.

<sup>34</sup> Buchanan affirms that the political economy is a manufactured product, shaped by the choices of people; see James M. Buchanan, *Economics in the post-Socialist Century*, in “The Economic Journal”, January 1991, p.15; and also: *Il dibattito attuale su etica ed economia: orientamenti e prospettive*, in “Etica degli affari e delle professioni”, supplement of NO 4, 1991, pp.13-19. Proceedings of the Congress of NEMETRIA on: *Economia, società postindustriale, dottrina sociale della Chiesa*, Foligno – October 21, 1991.

<sup>35</sup> See. D. Antiseri (edited by), *Cattolici a ...*, cit., p. 118. We report so on a passage from the great German economist Wilhelm Röpke «... liberalism is not [...] in its essence a renouncement of Christianity; rather, it represents its legitimate spiritual offspring. Only an extraordinary reduction of historical perspective can lead one to confuse liberalism with libertinism. Rather, liberalism embodies in the field of social philosophy the

impressive turn taken by the current Pope, through his three social encyclicals: *Laborem exercens*, *Sollicitudo rei socialis*, *Centesimus annus*.

The central idea of the entire reflection of John Paul II on the matter of social doctrine is the theme of liberty. In *Sollicitudo rei socialis*, he posed this question: «The denial or limitation of human rights -- as for example the right to religious freedom, the right to share in the building of society, the freedom to organize and to form unions, or to take initiatives in economic matters — do these not impoverish the human person as much as, if not more than, the deprivation of material goods?»<sup>36</sup>.

The central nucleus of the entire reflection of Sturzo on liberty, and in particular on the liberty of economic initiative, is taken from the concept of the *creative subjectivity of the person*, well-expressed in the following passage: «Everyone, individuals and society, in reciprocal action and reaction, on the natural plain and the supernatural one, respond and cooperate, directly or indirectly, to their universal vocation by fulfilling the good and the knowledge of God, through social forms and inside each one of us, for the edification of his kingdom»<sup>37</sup>. In the biblical narrative, the distinction between the human race and the other creatures of the universe is an evident result of the fact that only the creation of man is presented as the fruit of a special decision on the part of God, of a deliberate choice to establish a bond of similarity and of participation in the work of the Creator: «*The life which God offers to man is a gift by which God shares something of Himself with His creature*»<sup>38</sup>. The capacity for choosing and understanding, therefore, besides being in the theological sense the human activity that comes closest to the Divine Spirit, in a philosophical sense represents the point of contact between religious, political, and economic liberty, since they are all based on a common root: *the existence of an image of the Creator reflected in every person*.

## 6.2 Market economy and capitalism as logical categories

Sturzo is well aware of the fact that in free countries the market economy prevails, as a natural extension of the principle of liberty in all spheres of human activity, whereas in dictatorial countries the command economy exists. He is convinced moreover that neither is able to do without capital or, as a consequence, capitalism; this last, far from being a result of ideology, is understood by our author as a logical category of the productive process. He does not understand it as a historical category fated to emerge but

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best that three thousands years of Western thought have been able to hand down us, the idea of humanity, natural law, the culture of the person and the sense of universality»; *Natura del liberalismo e suoi rapporti con il Cristianesimo*, translation from the Italian edition.

<sup>36</sup> John Paul II, encyclical letter *Sollicitudo rei socialis*, December 30, 1987, no. 15.

<sup>37</sup> L. Sturzo, *La vera vita. Sociologia del soprannaturale*, Zanichelli, Bologna, p. 51. The classical text on which is founded the theology of creation appears in the following passages from St. Thomas: «While in all creatures there is some kind of likeness to God, in the rational creature alone we find a likeness of *image* [...]; whereas in other creatures we find a likeness by way of a *trace*. Now the intellect or mind is that whereby the rational creature excels other creatures; wherefore this image of God is not found even in the rational creature may happen to possess, we find the likeness of a *trace*, as in other creatures to which, in reference to such parts, the rational creature can be likened»; St. Thomas Aquinas, *Summa Theologiae*, I q. 93, art .6.

<sup>38</sup> John Paul II, encyclical letter *Evangelium vitae*, March 25, 1995, no 34.

deterministically condemned to lose its place to collectivism and the communist mirage<sup>39</sup>. For the Sicilian priest, a corollary to this interpretation of capitalism is that, from an exquisitely historical point of view, we can only affirm that the capitalist economy coincides with two important facts: “the formation of free school constitutional states and the introduction of industrial technology.” Now, since for Sturzo each authentically human action, as rational, is pervaded with ethics, so also in the laws of capitalist economics, a rational element ought to be found. This element cannot be missing from any human structure of associative character, even if it does not lack infiltrations of pseudo-rationality and irrationality that tend to annul, or in any case to attenuate, the rational and ethical character of the system: «It is evident that he who acts and reacts on the moral plain is the same volitional and rational human who acts on the moral plain and on the political plain, on the religious one and the civic one, in culture and in the arts. All his life is conditioned by the economy, and that is conditioned by quantity, and its quality is conditioned by the productive activities of man. It is an iron circle, yet one animated and brought to life by the interior liberty of the individual, and by associative or interpersonal liberty, which are the fountain of responsibility and thus of the morality of human action, of the good, and of the bad that is found in this world. This is also true in the economy, looked at from its own internal ethical nature, as the product of humans who ought to be free and responsible»<sup>40</sup>. For this reason, referring to the works of Luigi Sturzo, it appears difficult to sustain the widespread idea of the need to identify a third way alternative to both capitalism and socialism. Sturzo did not fall victim to any such temptation. On the contrary, considering «capitalism as a natural force of history, that is as a system of free economy able to mobilize the vices and virtues of men», he did not concentrate his attention on searching for an alternative to capitalism, but rather, «he worried about giving to capitalism the right moral inspiration»<sup>41</sup>.

Such is the vision of human action in life towards a *novus ordo saeculorum*, at the center of which, as we have underscored, is *liberty in its entirety* and *indivisibility*, that is, the whole problem of *democracy* (political liberty), of the *market* (economic liberty), and of *pluralism* (religious liberty); this last is the first liberty, as both the font and the synthesis of the preceding ones. What characterizes this new order is the fact of its being a system in dynamic equilibrium where the ability to *understand* and to *choose* work together so that the action of man, in harmony with his nature as “creative subject”, becomes the motor and the reason of the continual mutation of modern civil society. The priest/founder of the Popular Party, in a 1957 article, thus expressed the urgency of the times: «The hour of counterattack has sounded, calling us again to the defense of liberty; liberty, which is of great value to the spirit; liberty, which trains to self-discipline; liberty, which makes us assume our individual and social responsibilities; liberty which makes us

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<sup>39</sup> See Giuseppe Palladino, *Il capitalismo vincerà?*, Il Sole 24 Ore Libri, Milano 1986, p. 55: «Fr. Luigi Sturzo thought that “popolarism” was not an ideology, but a social-economic doctrine, on the basis of which to bring into existence a proper capitalism, a widespread and unrestricted intensive growth of economy. In his opinion “popolarism” was also a political doctrine of the modern state».

<sup>40</sup> L. Sturzo, *Politica di questi anni*, cit., p. 291.

<sup>41</sup> Letter of Giuseppe Palladino to the *Onorevole* Giuseppe Costamagna written on April 20, 1979 and recently published in the magazine “Rinascimento Popolare” under the title, *Presupposti etici del popolarismo*, March 1999, p. 13-14.

run risks, liberty which forms the citizen, strengthens the Christian, and emboldens the struggler for the grandest sacrifices for the common good»<sup>42</sup>.

Therefore, the fundamental lesson of Sturzo is well encapsulated in the concept of *liberty in its entirety and indivisibility*. If, from one side, this reflects the truth at the heart of man, which manifests itself in the theological reality of the *imago Dei*, from the other side, it solves a series of political problems that attach themselves to the difficult relationship between liberty, understood only in its formal aspect, and the real possibility of translating it in concrete opportunities for individuals participating in the social community.

### 6.3 Subsidiarity as a new dimension of social justice

Sturzo notes the problem of growing statism in the newborn Italian Republic. A solution lies from his point of view in the principle of subsidiarity. On the basis of this principle, expressed in an authoritative and formal way for the first time by Pius XI in the encyclical *Quadragesimo anno*, the Pope exhorts the state authority to abstain from all questions in which intermediate groups, associations, and families demonstrate the power to act autonomously and sufficiently for their own needs (free schools, private enterprise, financial institutions), lest they inflict grave damage and disorder on the proper order of society<sup>43</sup>. Consider how Fr. Sturzo affirmed, supported, and struggled for the defense and promotion of this concept: «The fundamental error of statism is that of entrusting to the state activity with productive purposes, connected to a system of restricted economics that suffocates the freedom of private initiative<sup>44</sup>»; «to transfer private capital to the state, and to make it operate in large sectors of industry [...] causes damage to the country, to its economy, and to the working classes themselves»<sup>45</sup>; and again, «Blessed be private initiative that is not obligated to expect benefits that rain from on high when the gods of the Olympic state — it matters not whether democrats or totalitarian — seek to find a compromise among them, as in the times of Homer, through deigning to watch-over (I did not say observe) that which happens in the tiny base-world of living reality!»<sup>46</sup> And, speaking of scholastic liberty, he was to affirm: «As long as the schools in Italy are not free, neither will the Italians be free; they will be slaves, slaves of the State, of party, of private and public organizations of every kind [...] The true school, free, joyous, full of youthful enthusiasm, developed in a suitable atmosphere, with teachers busy with the noble function of the educator, cannot sprout in the heavy atmosphere created by a bureaucratic state monopoly»<sup>47</sup>. It is possible to see how in Sturzo's perspective, the

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<sup>42</sup> L. Sturzo, *Le profezie-verità...*, cit., p.52.

<sup>43</sup> «Still, that most weighty principle, which cannot be set aside or unchanged, remains fixed and unshaken in social philosophy: Just as it is gravely wrong to take from individuals what they can accomplish by their own initiative and industry and give it to the community, so also it is an injustice and at the same time a grave evil and disturbance of right order to assign to a great and higher association what lesser and subordinate organizations can do. For every social activity ought of its very nature to furnish help to the members of the body social, and never destroy or absorb them», Pio XI, encyclical letter *Quadragesimo anno*, May 15, 1931, no 80.

<sup>44</sup> L. Sturzo, *Opere scelte II. Stato, parlamento e partiti*, edited by Mario D'Addio, Laterza, Bari 1992, p.126.

<sup>45</sup> *Ibid.*, pp.127-128.

<sup>46</sup> L. Sturzo, *A difesa della scuola libera*, edited by Dario Antiseri, Città Nuova, Roma 1995, p. 59.

<sup>47</sup> *Ibid.*, p. 60.

principal of subsidiarity represents an empirical hinge for the modern social doctrine of the church. Indeed, while contrasting itself with the centralism typical of the systems that have a preference for monopolistic state solutions in the fields of schooling, of enterprise, and of social provision, even so it reconciles itself to the most advanced forms of the liberal tradition<sup>48</sup>. This proposes to resolve, through the active role of the subjects that comprise civil society, the difficulties created in the private sector by purely egotistical behavior and in the public sector by the illiberal centralization of the power of the state.

At the base of this principal lies the certainty that between the impersonal state and the individual abandoned to himself, looms up a prime line of defense traceable in intermediate bodies, in the “small platoons”, in the *vital worlds*, as for example, the family, enterprises, the schools, associations, and the churches. Their natural action is indispensable for a balanced development of the human person and a more equal political, economic, and cultural organization, founded on the notion of *freedom in its entirety* and *social justice*<sup>49</sup>.

#### **6.4 Building a new civil order**

From the point of view of Sturzo, *Methodological personalism, liberty in its entirety and indivisibility, social anti-perfectionism*, and the *creative capacity* are all elements that define a concrete political course of action, at the center of which the primacy of the human person spreads its wings, relentlessly irreconcilable with any form of bureaucratic and monopolistic centralism, of command economics, or of moral relativism or skepticism. The free, responsible, creative, but never perfect, physical and moral constitution of the human person designs a new civil order in which the principle actors are all the women and men that freely, responsibly, and creatively decide to associate themselves for the common good. We are able to summarize the political character of a society ordered according to the liberal personalist principal of subsidiarity in the affirmation that the State must not claim for itself competency in spheres that, instead, can be performed by institutions of an inferior order. If anything, it must insure that these levels work adequately at their tasks, and it should intervene solely in the cases where they do not do them properly, first to uphold them, and only after that, whenever they do not respond to needs, to substitute for them. In brief, the Latin motto says it well: *civitas propter cives, non cives propter civitatem* (The state on behalf of the citizen, not the citizen on behalf of the state).

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<sup>48</sup> «[Liberalism] because is humanistic, personalist and antiauthoritarian and respects the human being as such, whereas it is careful to divinize the state, it bucks the exasperation of patriotism that transforms it in nationalism and consequently in Machiavellism and imperialism»; W. Ropke, cit., p. 121.

<sup>49</sup> With the purpose of establishing a nexus between the modern social doctrine of the Church and the Hayekian theory of social justice, Michael Novak reworks the traditional principle of social justice, placing at its base the principle of subsidiarity: «*Social justice is a specific modern form of the ancient virtue of justice* [...] It does not necessarily mean enlarging the state; on the contrary, it means enlarging civil society», M. Novak, *The Catholic Ethic and the Spirit of Capitalism...*, cit., pp. 77-78. We invite comparing the redefinition given by Giuseppe Palladino, *Presupposti etici ...*, cit., p. 13: «Therefore, justice is the patient work of love between brother men and having a paternal community in God».

## 7. Market Economy and Spirit of Enterprise in the Social Teaching of John Paul II.

### 7.1 Towards a new interpretation of capitalism

We conclude our brief exposition on the ethical bases of the market economy by attempting to insert into the dialogue between Sturzo and some liberal thinkers the reflections that the current Pope, John Paul II, has made on this theme. The fourth chapter of *Centesimus annus*<sup>50</sup> is dedicated to an elaboration of a new interpretation of initiative, entrepreneurship, profit and of the capitalism itself<sup>51</sup>. John Paul II would found this interpretation on the basis of the traditional principals of “the universal destination of goods” and of “individual property”. Regarding the first, the Pope affirms that «God gave the earth to the whole human race for the sustenance of all its members, without excluding or favoring anyone»<sup>52</sup>; regarding the second, he recalled that «it is through work that we, using our intelligence and exercising our freedom, succeed in dominating the earth and making it a fitting home. In this way, one makes part of the earth one’s own, precisely the part which one has acquired through work»<sup>53</sup>. However, for Wojtyla there exists another form of property that, while not going back to the traditional definition of capital, is not for that reason any less important: it is the property of knowledge, of technology, and of know-how, and the capacity to organize productive processes that involve more people, such that have the power to endure in time and to guarantee the satisfaction of the needs of modern man. It is the capacity to assume unavoidable risks in a responsible and realistic way. John Paul II defines this additional form of property as the *capacity of initiative* or *of entrepreneurship*. It is our profound conviction that his thought represents, for social doctrine, an extraordinary leap forward in the interpretation of contemporary history, since it has the merit of highlighting *the creative and subjective side of man*. He praises intelligence, and the capacity to uncover new resources and to try out new productive potentialities in the earth that allow us to give a more effective answer to all the human needs not yet satisfied. The ethical and cultural root of the modern business economy is *the full liberty of the person*. Its center is its ethical and religious dimension, in the service of which liberty in economic matters is placed, anchored in a solid political-

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<sup>50</sup> Buttiglione writes that «When the encyclical *Centesimus annus* came out, an eminent American economist whom I met at a meeting of *Kaltenbrunner Gesellschaft* told me that it seemed that the Pope had read and deeply reflected on the writings of L. von Mises or I. Kirzner, who are among the most significant writers on the modern economic science. While at that moment this seemed to me a bizarre hypothesis, [...] more attentive reflection convinced me that there is, in fact, a certain relevant parallel» and he continues: «But there is a tremendously important difference. For Wojtyla the human person is at the same time individual subject and human community. [...] Acting together with others is a fundamental dimension of acting. Its comprehension allows us to assimilate the methodological lesson of Austrian individualism without, at the same time, renouncing the comprehension of the role and the value of the political sphere»; R. Buttiglione, *Karol Wojtyla...*, cit., p. 379.

<sup>51</sup> On the relation between the social doctrine of the Christian church and free enterprise in *Centesimus annus*, aside from the rich bibliography of Michael Novak, we cite the following essays of R. Buttiglione: *The Blackmail the Pope Rejects*, in “Catholic World Report”, April 1988; *Behind Centesimus annus*, in “Crisis”, July-August 1991, pp. 810; *Christians Economics*, in “Crisis” July-August 1992, pp. 32-36; *The Free Economy and the free Man*, in G. Weigel (edited by), *A New Worldly Order: John Paul II and Human Freedom*, Ethics and Public Policy Center, Washington 1992; *The Moral Mandate for Freedom...*, cit..

<sup>52</sup> *Centesimus annus*, # 31

<sup>53</sup> *Ibidem*.

juridical context capable of preventing degeneracy and of reducing to a minimum undesired effects.

The position of the pontiff, regarding possible solutions to adopt following 1989, is stated with extreme lucidity in the 42<sup>nd</sup> paragraph of *Centesimus annus*. In it, he makes an important distinction between one type of capitalism founded on the positive role played by enterprise, by the market, by private property, and by the free, responsible and creative action of the person, anchored to a firm juridical system and a clear horizontal ideal that is given in the truth of God concerning man, and another type of capitalism on which his judgment is extremely negative. This second type is not framed within a solid system of regulations and the liberty that characterizes it, but is separated from the truth about man. It is not placed in service of *human nature in its entirety*, “the core of which is ethical and religious”<sup>54</sup>.

## 7.2 “*Imago Creatoris*” – “*Homo creator*”

If we are to consider the term “capital” in its better meaning, it is possible to conclude that the classic definition of this concept, neglecting some relevant aspect of human dimension, results in something completely unsatisfactory. Indeed, this affirms that “capital” is given by material possession of the instruments of production. On the contrary, taking as reference the reflections made by Novak, Weigel, Neuhaus, and Buttiglione, the term “capital” would seem to be derived not so much from the Latin *capita* (head of a beast) as from *caput*: the mind, that, is the place in which the virtues such as creativity, inventiveness, initiative, and the spirit of sacrifice have their seat. That’s how Novak maintains this argument: «Although the origins of the word “capital” lie in a more primitive economic area, when *capita* referred to heads of cattle. And the major form of economic capital lay in the ownership of land, the same word also suggests the Latin *caput* (head), the human seat of that very creativity, invention, initiative the Pope sees in “creative subjectivity”»<sup>55</sup>. Understood in this way, the term capital may be considered an integral part of the concept—formulated by John Paul II—of *the creative subjectivity of the person*, on which the Pontiff makes the inalienability of the right of economic initiative depend<sup>56</sup>.

At this point, it is permissible to set forth a question: is contemporary capitalism increasingly centered on the *caput* (head), that is, on factors such as knowledge, discovery, imagination, and ingenuity? We indeed think we can respond affirmatively. We are above all convinced that this all is well understood by the Pope, to that point that it would be proper to assign to him the merit of having identified a new meaning of the term “capital”: «Whereas at one time the decisive factor of production was the land and later capital—understood as a total complex of the instruments of production—today the

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<sup>54</sup> « Is this [capitalism] the model which ought to be proposed to the countries of the Third World, which are searching for the path to true economic and civil progress? [...] If by *capitalism* is meant an economic system which recognizes fundamental and positive role of business, the market, private property and the resulting responsibility for the means of production as well as free human creativity in the economic sector, then the answer is certainly affirmative...», *Centesimus annus*, no. 42.

<sup>55</sup> M. Novak, *The Catholic Ethic and ...*, cit., p. 128.

<sup>56</sup> See *Sollicitudo rei socialis*, no. 15.

decisive factor is increasingly man himself, that is, his knowledge, especially his scientific knowledge, his capacity for interrelated and compact organization as well as his ability to perceive the needs of others and to satisfy them»<sup>57</sup>.

Continuing in the Encyclical, he affirms the importance of the fact that man works together with other men, participating, in this way, in “social work”. The social character of work leads John Paul II to express himself favorably towards the capacity of initiative and of entrepreneurship, and for this reason affirms: «Organizing such a productive effort, planning its duration in time, making sure that it corresponds in a positive way to the demands which it must satisfy, and taking the necessary risks—all this too is a source of wealth in today’s society»<sup>58</sup>. The importance that the social doctrine attributes to the principle of initiative and entrepreneurship comes from the fact that it recognizes in them the capacity to bring to light the truth concerning man that has always been affirmed by Christianity, involving, moreover, the most important virtues, «such as diligence, industriousness, prudence in undertaking reasonable risks, reliability and fidelity in interpersonal relationships, as well as courage in carrying out decisions which are difficult and painful but necessary, both for the overall working of a business and in meeting possible setbacks»<sup>59</sup>. It is for this reason that, according to John Paul II, the modern economy deserves to be looked on with attention and favor on the part of all Christians, since the foundation of the modern business economy is located in the liberty of the person, which here expresses itself in the economic field, as well as in the political and religious ones.

## 8. Concluding Considerations

### 8.1 “Exchange between equivalents” and “exchange freely-given”

Social exchange is organized essentially on two levels: besides the normal rule of *exchange between equivalents*, which follows the observance of the principal according to which it is rewarded to who and what one values, there is another level that conforms to the rule of gift, that is, *exchange freely-given*<sup>60</sup>. The examples we would be able to bring forth would be too many. It is enough to think of categories of people such as children, the elderly, and the handicapped. They do not have anything to give that corresponds exactly to what they receive. Yet these, by force of their eminent dignity, have the right to be the recipients of goods and services needed for their sustenance and for the development of their natural capacities. By force of this fact, it evidently turns out that exchange *between equivalents* and exchange *freely-given* represent the poles of natural human action, so that each action and choice, considered clearly, cannot fail to be informed by these two principals. Such considerations find confirmation if we reflect on the nature of some specific human spheres. There are some of them, in fact, that completely escape any sort

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<sup>57</sup> *Centesimus annus*, no 32.

<sup>58</sup> *Ibidem*.

<sup>59</sup> *Ibidem*.

<sup>60</sup> See R. Buttiglione, *Per un’Alleanza tra Libero Mercato e Solidarietà*, cit., pp.7-16; see Kenneth J. Arrow, *Gli obblighi etici del mercato*, in “Etica degli affari e delle professioni”, supplement to “L’impresa” 1/94, p.35.

of control operating through the exchange *of equivalents*: the person, love, the body; so in these spheres the logic of pure gift predominates, or better, ought to prevail.

The market economy, for being able to increase production and to distribute wealth in a better way, depends on the value of liberty, and ethical principles, which are contained in its system. These ethical rules and freedom precede the market itself and make it possible. Therefore, it is the task of each person to develop all the human virtues—contained within the concept of creative subjectivity—that defend liberty and the ethical dimension of the person. It is particularly up to the politicians to elaborate and construct juridical premises that support ethical premises, such as giving freely and industriousness, without which the market itself could not produce other than situations of great economic imbalance<sup>61</sup>.

Our proposal is centered on the guiding rule that the new course that the social doctrine of the Church—inaugurated by John Paul II—should be able to assume inside the complex organizations of contemporary society. This allows us to consider critically the real possibility of a renewed alliance between the freedom of the market and solidarity, valuing to the utmost economic liberty within respect for and the centrality of the human person. The empirical hinges of this alliance are located in the principles of solidarity<sup>62</sup> and of subsidiarity<sup>63</sup>.

The author of this article is convinced that the modern social doctrine of the Church can offer an indispensable orientation as an ideal, that is, a joining of fundamental principals, of criteria of judgment and of directives for action. If on the one side they recognize the positive nature of the market and of the “economy of enterprise”, on the other they inform us of the necessity of anchoring the economic system to respect for the “freedom of man in its entirety,” to direct it to the common good.

## 8.2 “Economy of Sharing” and free market economy

Therefore, given all these arguments concerning the morality of the market economy, the author is convinced that the theory of the free-market economy - as elaborated by Sturzo, by John Paul II, and by the school of “economic personalism,” in connection with classic liberalism, particularly the neo-Austrian version - might offer a natural backdrop for

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<sup>61</sup> In his *This Hemisphere of Liberty*, Novak – book cited – has listed ten practical proposals that could constitute a programmatic platform for a political party inspired by the ideals of “democratic capitalism”, p. 105.

<sup>62</sup> Always according to the redefinition of the idea of social justice and its link with both solidarity and subsidiarity, we pick up the definition elaborated by Buttiglione, referring to the idea of “participation” in the philosophical work of Karol Wojtyła: «One can say that solidarity is the attitude of responsible care for the common good which constitutes the human community, or, in other words, the social form of love understood as the sole adequate attitude toward the person. [...] it is the response to the value of the person of the other and the decision to cooperate in his realization»; R. Buttiglione, *Karol Wojtyła...*, cit., p. 363.

<sup>63</sup> «In his encyclical on social doctrine, *Centesimus annus*, Pope John Paul II presses the concept of the “subjectivity of society”. This idea is that person and person in community are best situated to answer what Aristotle said is *the* political question: how ought we to order our life together? In this sense, people do need to govern themselves. The “state” does not instruct the people; the people instruct the state». Peter Berger e Richard John Neuhaus, *cit.*, pp.152-153.

understanding the experience of the "economy of sharing." Indeed, as Chiara Lubich maintained in her laureate lecture at the University of Piacenza, one characteristic of this experience is that it «does not present itself as a new form of enterprise, alternative to those already existing. Rather, it seeks to transform the normal structures of enterprise from the inside, all with respect to the authentic values of the market -- those values highlighted by the social doctrine of the Church, particularly by John Paul II in *Centesimus annus*»<sup>64</sup>.

We totally agree with Mrs. Chiara Lubich. The acceptance of the free market economy as moral heritage of Western civilization, the recognition of the spontaneous-evolutionary element in the genesis and development of the free entrepreneurial economy, as well as the acceptance of the rightly understood ethical-rational element inherent to capitalism, represent the first but decisive step towards that dialogue between Catholic culture and liberal culture, that has been disregarded for a long time. Thus, it might not appear bizarre to begin thinking of the possible relations between some relevant achievements of the traditional liberal thought and the practical experiences of free economic enterprises - for instance, as those of the Economy of Sharing - that sprout in the furrows plowed by the tradition of Catholic social thought.

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<sup>64</sup> Chiara Lubich, lecture given in occasion of her *Laurea Honoris Causa* in "Economia e Commercio", Università Cattolica del Sacro Cuore, Facoltà di Economia, Sede di Piacenza, January 29, 1999, p. 7.