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ECON 43201-01
Topics in Political Economy
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Ethics and the National Economy
Fr. Heinrich Pesch, S.J.

Introduction

In his groundbreaking encyclical *Rerum Novarum*, released in 1891, Pope Leo XIII examined the question of economic responsibility. While never defining the ideal economic structure, Leo XIII articulates the ends for which all economic activity should direct itself, and rejects the prominent structures of unrestricted capitalism and socialism, seeing them flawed by their inaccurate picture of human nature.

Meanwhile, a young German Jesuit priest named Heinrich Pesch, after the release of *Rerum Novarum*, makes a request to his superior that he devote himself to the study and solution of economic responsibility. To aid him in this pursuit, Pesch could rely on his background of studies at the University of Bonn, as well as his witness to the appalling conditions of English industrialization during his study there. One year before he died in 1926, Pesch's main work is finished, *Lehrbuch der Nationalökonomie*, which consists of nearly 4,000 pages and five volumes. This great work leaves a lasting legacy in Catholic social thought, as Pope Pius XI follows Pesch's principles nearly word for word in his 1931 encyclical *Quadragesimo Anno*. Pesch's principle of subsidiarity is even added to the Catechism of the Catholic Church, published first in 1992. This same framework from Pesch allows Pope John Paul II to address crucial issues like distribution of resources and responsibility for the poor in his encyclical *Centesimus Annus*, released in 1991. The work of Pesch that will be focused upon in this paper is *Ethics and the National Economy*, which concisely outlines the principles for his solidaristic system of human work. As he is writing between the two World Wars, the work shows its age only in specific references to then current establishments and then-prominent economists. Even so, the text proves to be timeless in its thorough examination of Christian ethics and

its relationship to economics. I will cover the main topics in this book, including the universal moral law, the family, his principle of subsidiarity, and his rejection of pure capitalism and socialism. But we must first begin with what Pesch sees as the necessary first building block in his writings, which is an economics rooted in a universally valid natural law that stems from God Himself.

The Universal Moral Law and Christian Ethics

The very first question raised in *Ethics and the National Economy* is, “Are there moral obligations in economic life?” While those obsessed with current economic trends and the very materialistic see morality as a hindrance or an obstacle in economic advancement, Heinrich Pesch asserts that moral laws have universal validity, and therefore especially to the sector of human activity which involves economic life. Before understanding any of his principles or assertions, one must understand that Pesch holds that not only does morality not present a hurdle to economic progress, it *promotes* the general human welfare. When any human action is done in accord with the moral law, the higher goals of humans is achieved. “The material welfare of nations is essentially conditioned by the practical application of the moral law and by the degree of morality that is operational in the economic life of the nation.”¹ Whenever morality is discussed in the rest of the book, it is Christian ethics that is being talked about.

The aim of Christian ethics is to allow the human being to flourish. According to Pesch, one becomes a human being in the full sense of the term by “the proper care and cultivation and inner ordering of his own nature, of his intellectual faculties and of his will, controlling basic instincts and passions and subordinating them to reason and moderating them.”² When one recognizes this dignity and duty as a human, it is then that

one can properly engage in social relationships. By the fact that humans are destined for eternity, man can remain autonomous and not a mere means in the service of some earthly power. But the cultivation of the human person is not only for getting ready for the next life- “but also and in a very specific sense for cooperation in the tasks before us here on earth.”³

For Pesch, our wants force us to economize, and the satisfaction of our wants is the purpose of all economic activity. Christian ethics provides us with a clear picture of the terms of distinguishing wants and mere desires. The spiritual moral order, the higher purpose of human existence, shows to be the essential norm to limit our wants that goes beyond merely an objective capacity to enjoy. Pesch provides the example of pagan Rome to show what happens to higher cultures that try to disregard that spiritual moral order in pursuit of unbridled material gain.

While some might argue that economics loses “its autonomy as a science if the moral law is acknowledged as having decisive influence in the development of economic doctrine,”⁴ Pesch responds forcibly that a science holds its distinctiveness by the fact that it has its own formal object. While moral science stands autonomous from economics, it does not mean that it can cut itself off from moral law, for “what violates the moral law will never, under any circumstances, be proven by reason to be correct...ethics serves as a test of the propriety of economic theses and as a kind of beacon-light for economic research. Anyone who disregards this beacon-light will end up ship-wrecked in the vast, rocky sea of error.”⁵

The Family

But where are these efforts to become fully human nurtured? It is in the original cell-unit of society- the family. It is precisely in the family that Faith, obedience, respect for authority, and sense of sacrifice for the common good are developed. But even in Pesch's time the concept of family had begun to change and, in some sense, erode. Before the spread of exchange economies, the original focal point of economic life was found in the domestic economy. Now, only consumption takes place in the household. But Pesch believes that even in the face of people becoming more mobile and economics becoming less centered on the family, it is precisely the family that must be exalted, for it is there where the bond of love is exclusively fostered, as well as the virtues of trust and respect which are essential to economic activity. "The future of nations and the genuine emancipation of the woman is to be found not in the destruction of the family domicile and the domestic economy but in their proper restoration."⁶

The natural question to follow this is whether it is even possible to restore family life in the midst of moral degradation, where sex is seen as an end in itself and love is merely a passion. Can genuine love be restored that is "based on mutual respect and combined with a sense of responsibility and fidelity between the marriage partners, along with a devotion to the raising of children?"⁷ Without this authentic love, including a motherly love and a love between the spouses, the marriage becomes merely an avenue for temporary sexual and economic freedom. Not only this, but the practical activities that used to be so integral in family life, like baking and laundry, are mostly done by someone other than a family member. Should the basic family structure be abolished then? This, Pesch argues, would be destructive and devastating. "Only where the family

is established in a secure and orderly manner can we expect that social peace will be ensured.”⁸ This familial love is essential in not only restoring the family but for restoring human society.

“Just as true charity is nurtured best in good family life, so the practice of it necessarily has the effect of ennobling and exalting the family. When taking care of strangers who are in need is something that has been carefully cultivated in the family, the fulfillment of obligations toward members of one’s own family becomes easier; and the love between spouses, parents, children, and relatives will become and continue to be more genuine, more selfless, more noble, and more persistent.”⁹

One concern addressed is Robert Malthus’ proposed solution in maintaining the balance between population and resources. After a fairly lengthy discussion on the topic, bringing in examples such as Germany and France who at the time were seeing stagnation in their population figures, Pesch comes to a decisive conclusion squarely against Malthus’ strategy of contracepted sexual intercourse or a two-child law. This, for Pesch, would be national suicide.

As a rule a nation’s inherit vitality, its intelligence, its moral stamina, and its spirit of venture are far more decisive for its healthy development in its given economic circumstances than the amount of space for providing its subsistence...It is for this reason that we say: see to the proper quality of the population and you will have nothing to worry about regarding the quantity of the population.”¹⁰

Solidarity and the Principle of Subsidiarity

Now that we have established Pesch’s reasons for stressing the importance and the sacred nature of the family, we can now take the concept of the family as the cornerstone of his principle of subsidiarity. In a sentence, the principle of subsidiarity is this- a higher level of community should not do what a lower level can do for itself. This is the idea that the common good is achieved at the lowest level of society possible. But even before the details of this can be worked out, the idea of solidarity must be established.

It is here where we return to the essence of the human being. By nature, humans are social beings. One gains from being a member of a community without having one's individuality suppressed by it. But by being a member of the community, the person must conform and even subordinate oneself to serve the purposes of the community and the welfare of those associated with oneself in the life of the community. The members of the community "share the same ultimate exalted supernatural destiny, the community of those who participate in the same human pilgrimage toward this selfsame goal and sharing in all of the helps, dangers, struggles, hopes and joys which this involves."¹¹ From this idea of a shared pilgrimage to we begin to understand the concept of solidarity. This universal human solidarity is a unifier which places the worker alongside the employer and protects the weak and vulnerable in society.

"Any social policy...which is directed to elevating the relationships among the various interest groups to a level of social reciprocity and genuine vital community on a permanent basis, will find firm and basic support in the Christian principle of solidarity of cooperation in the common obligation to the purpose for which the state exists...in the solidaristic responsibility of all for the common good of the nation."¹²

If that solidarity and charity become absent within this community, "egotistical private interests will inevitably move into the foreground and become dominant. Hatred, envy, and brute force will then become the motive forces which determine the way society develops."¹³

In light of this solidarism, we can now understand the need for the principle of subsidiarity. To foster love between people, to allow these people to work together toward the common good, the lowest form of community should do what it can for itself. This means if a family can do something, the state should not do it for them. The bigger the distance between the two communities, i.e. the family and the national government, the less personal the activity is, and subsequently less true charity is involved.

Communities are not just limited to the family, the state, and the national level, though. There can be all sorts of communities in between, including a church community, an extended family community, etc. These communities are the setting where the poor are taken care of, where the oppressed are supported, and all works of mercy are carried out. Again, if a task can be done by families or by intermediary communities, it should not be managed by the government. But this doesn't mean the government exists only as a last resort. There are certainly tasks, such as administering justice and protecting individual rights, which cannot be done by intermediary communities. So the government plays an essential role in this respect, but it should not overstep its bounds. If an issue affects a family, let the family be responsible for it.

Pesch directly addresses several other pertinent economic issues throughout the book. The worker is of utmost concern for Pesch, for it is they that seem to be “depersonalized” in the industrial movement of the time. He sees the need for the right to organize into unions, but “they will be more successful in bringing about an improvement in their situation only to the extent that they are firmly convinced that their own welfare is to be gained both from hostility toward management, but from working together with it, and from the growth and harmonious operation of the national economy as a whole.”¹⁴ Labor, in light of Christian ethics, becomes a dignified social calling “natural and meritorious in the eyes of God.”¹⁵ The universal law of work, as Pesch relates from Christianity, is a law that is binding on every person who is able to work, and “it is a law which is as universal as the law of death.”¹⁶

Another issue discussed is price determination. Pesch goes back to medieval cities to see it was essential that the proper price was set so the producer covered the costs

associated with the production, as well as a profit that would “enable him to love according to his station in life.”¹⁷ Now, Christian ethics doesn’t frown on all accumulations of large possessions, if “they are acquired in an honorable manner, insofar as these do not go beyond a proper proportion to the wealth of the nation overall... and not withdrawn from service which is required for the national purpose.”¹⁸ While these guidelines seem to be vague, the key here is that the profit made and the subsequent leisure enjoyed is not the focus of the economic activity, but a by-product of meeting your family’s needs. According to Pesch, we have seen the principle of profit-making move in to replace the principle of satisfaction of wants in the capitalistic era. It is to this very capitalism, as well as its historic sequel, socialism, to which we move now.

Capitalism and Socialism

In his rejection of both of the prominent economic structures of pure capitalism and socialism, we must once again return to the nature of the human being. Two aspects are key in understanding how humans thrive within a system, and it is the failure to recognize these two aspects of humans that become the false premises upon which capitalism and socialism are built. First, the human is both an individual and social in nature. Where the capitalistic spirit seems to exalt and isolate the individualistic nature of a person in his pursuits, socialism seeks to fix this by making a person’s social aspect absolute. It only makes sense that humans would not thrive in a system where one of the aspects is ignored almost completely.

The second aspect of human nature that is not properly recognized is the differences between individuals. As can be witnessed, people can be extremely different. Unrestrained capitalism certainly recognizes this in a way, but to the extent that if a

person is not given as many talents or opportunities in life, the person must fend for oneself. On the other side, socialism attempts to erase any sort of difference between individuals, to the point where a person “can no longer exercise his individual uniqueness, and where he can no longer enjoy the fruits of his individual differences in an individual manner.”¹⁹ In this light, freedom is diminished. Equal rights in the Christian sense is not equality of income or social status, but of equality with regards to all enjoying equal status as children of the eternal Father, which entails the right to the satisfaction of basic needs.

Conclusion

The principles of Father Pesch have certainly called for economists to think in a third way. In today’s political spectrum, the conservatives seem to be calling for every man for himself, while the liberals are calling for increases in governmental welfare programs. The common Catholic social teaching phrase of the “preferential option for the poor” is neither ignoring the poor in our community, nor is it immediately looking to the government to take responsibility. In Pesch’s principle of subsidiarity, we find a structure that promotes the poor, the family, the community, and the nation.

Even though Adam Smith wrote his *Theory of Moral Sentiments*, this system of ethics has a completely flawed conception of human nature. Selfish passions might prevail in some economic circumstances, but we must not build our system of ethics upon what seems to be, but upon what *ought to be*. Christian ethics understands the teleological nature of human beings; therefore, we must allow it to have its proper influence on the science of economics. Only then will economic responsibility be understood, human nature will truly thrive, and a national economy will become secure.

¹ Fr. Heinrich Pesch, S.J., Rupert Ederer, trans. *Ethics and the National Economy*. (Norfolk: HIS Press 2004) p 38.

² *Ibid.*, p 39.

³ *Ibid.*, p 43.

⁴ *Ibid.*, p 142.

⁵ *Ibid.*, p 142-143.

⁶ *Ibid.*, p 44.

⁷ *Ibid.*

⁸ *Ibid.*, p 43.

⁹ *Ibid.*, p 128.

¹⁰ *Ibid.*, p 49.

¹¹ *Ibid.*, p 42.

¹² *Ibid.*, p 54.

¹³ *Ibid.*

¹⁴ *Ibid.*, p 68.

¹⁵ *Ibid.*, p 70.

¹⁶ *Ibid.*, p 71.

¹⁷ *Ibid.*, p 83.

¹⁸ *Ibid.*, p 75.

¹⁹ *Ibid.*, p 165.