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On the Shoulders of Giants: Happiness and the Good Economy in Catholic Social Teaching

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The University of Southern Mississippi

On the Shoulders of Giants: Happiness and the Good Economy in Catholic Social
Teaching

by

Erin Wingerter

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Abstract

The economic discipline, in studying humans, relies on economic philosophers' theories and understanding of the human person. One of Adam Smith's most basic tenants was that man is self-interested. This thesis explores the profound implications this has had on those who study economics and what research in behavioral economics implies about its effect on life satisfaction. Catholic Social Teaching is the Roman Catholic Church's collection of criticisms for practicing the neo-scholastic virtue ethic in social life. If self-interest is emphasized above man's social nature, which was Smith's second tenant, economics ignores a non-trivial portion of man's motivation. Because irrational behaviors such as altruism and cooperation are correlated with higher life satisfaction, Catholic Social Teaching's perspective of virtue ethics in economics will be analyzed.

Key Terms: scholastic virtue ethics, economic philosophy, economic systems, life satisfaction, beatitudes, wealth

Table of Contents

Section 1: Introduction 1

Section 2: Literature Review..... 5

Section 3: Methodology16

Section 4: Happiness in Catholic Tradition18

Section 5: Capitalism and Catholic Social Teaching.....22

Section 6: Socialism and Catholic Social Teaching.....30

Section 7: Distributism and Catholic Social Teaching.....39

Section 8: Conclusion.....49

Bibliography.....52

Section 1: Introduction

Happiness has long held humanity's interest, and economic scholars have been no exception. However, many believe this is a subjective concept defined variously depending on time period, culture, and religion. Thomas Aquinas, Scholastic philosopher and Roman Catholic theologian, argued that man naturally seeks happiness but that wealth, power, honor, and pleasure are distractions individuals erroneously pursue in the process.¹ The tradition of the Catholic Church teaches that God alone is the final satisfaction, but that earthly happiness is still a worthwhile and more importantly an attainable goal.² Even more, the Church maintains that the beatitudes are a map to man's realization of the "good life," and the foundation of ethics.

Any American recognizes the oft-quoted words from the Declaration of Independence proclaiming man's endowed and unalienable rights to "Life, Liberty and the pursuit of Happiness." But perhaps their familiarity attenuates the importance of their ideological implications and curtails scrutiny of the way in which Americans conceptualize and exercise these "Rights." Although Thomas Jefferson penned these words, his inspiration is attributed to John Locke who referred to this pursuit in his work *An Essay Concerning Human Understanding*.³ Locke's understanding of happiness and the Catholic Church's share philosophical roots in the classicists of Greece and Rome. Locke believed liberty was necessary in

¹ Thomas Aquinas, *Summa Theologica I-II, Q2, art. 1-6* (Benziger Bros. , 1947).

² *Catechism of the Catholic Church*, 2nd Edition (New York, New York: An Image Book, 1997) section 1723.

³ *John Locke*, 2015, <http://www.pursuit-of-happiness.org/history-of-happiness/john-locke/> (accessed January 2, 2015).

order for man to discern decisions so “that we mistake not imaginary for real happiness.⁴” Happiness, in his mind, was not equivalent with short-term pleasure or accumulation of wealth, but rather he believed in knowledge and virtue similar to the views of Aristotle and Epicurus.

Coincidentally, in the same year Jefferson immortalized this phrase, Adam Smith published *An Inquiry into the Nature and Causes of the Wealth of Nations* marking what many call the birth of Western economics. Smith, although generally best known for his contributions to economics, was firstly a philosopher and a moralist.⁵ Certainly, his philosophies influenced his understanding of economics. Yet, following the Progressive Revolution, neo-classical economics arduously strives to become a hard physical science. Ethical and philosophical discussions are increasingly absent or dodged. Arjo Klamer proclaims in his *Conversations with Economists*, “The confidence in empirical arguments is overemphasized, and the suppression of normative or philosophical discourse only serves to hide philosophical elements in economic discourse.”⁶ What Smith termed “political economy” has since splintered such that political science and economics are two separate disciplines, and still further separated are ethics and philosophy. Technical language masks philosophical assumptions, and ignoring these assumptions may cripple economists’ full understanding or skill in expressing such key ideas.

⁴ John Locke, *An Essay Concerning Human Understanding*, Vol. I, II vols. (London: Oxford University Press, 1670, 1894) page 348.

⁵ Jagdish Bhagwhati, “Markets and Morality,” *Business Source Complete*, 2011: 162-165.

⁶ Arjo Klamer, *Conversations with Economists* (Savage: Rowman & Littlefield Publishers, Inc., 1983) page 247.

The preceding discussion of happiness and philosophy is important only to demonstrate that the way a society thinks about and measures abstract ideas bears strong consequences. The way words are defined shapes a discipline, which in turn shapes scholars, and more broadly, the work they produce.

Research in happiness economics indicates that economic security is a necessary, but not a sufficient condition for happiness.⁷ Sachs argues that economic growth and income in the United States was achieved in the twentieth century through a trade-off for lower social capital, mental well-being and ethical behavior. The 2008 financial crisis, he believes, shows that institutionalized greed cannot be healthily sustained in the long run and presents an argument for reintroducing training in ethics.⁸

Instead, ethics and philosophy add a humanistic perspective to the economic field and remind scholars of ideological differences. Catholic doctrine can contribute to the discussion of happiness and life satisfaction. The Catholic Church considers moral theology one of the main faculties of its mission, however social doctrine developed in the end of the nineteenth century to address the economic questions of man in a quickly industrializing global culture. While the Church may contribute little to the quantitative theoretical aspects of production and consumption, the expanse of discussion on the human person and happiness add to the way in which qualitative aspects of choice, consumption, and production can be measured and evaluated.

⁷ R. Layard, "Measuring Subjective Well-Being," *Science* 327, no. 5965 (January 2010).

⁸ Jeffrey Sachs, "Restoring Virtue Ethics in the Quest for Happiness," *World Happiness Report*, 2013: 81.

Positive psychology and sociology have aided economists in reevaluating the factors beyond income and growth that contribute to well-being. However, a classical understanding of virtue ethics in forming concepts of justice, temperance, fortitude, and prudence is a method that economics increasingly abandoned.⁹ Restoring this perspective then opens the opportunity for Catholic Social Teaching to contribute theoretical discourse to how economic systems are organized. In as far as individuals seek to attain “a good life” by the choices they execute, then economics, the “science of choice,” must be at least tangentially concerned with how major worldviews conceptualize happiness and a good economy.

Looking at the historical context and development of “happiness,” this thesis seeks to interpret Catholic Social Teaching’s view of “the good life.” The life and concerns addressed in Catholic Social Teaching must be influenced by a commitment to a particular ideology and it is useful to discover where this ideology intersects with economic systems.

⁹ Ibid., page 82.

Section 2: Literature Review

Economics teaches that man, living in a world of scarcity, must use his limited resources to satisfy unlimited wants. Economic systems are structures that organize production and exchange of goods and dispose societies to answer three questions.¹⁰ Firstly, the system answers, “What do we produce?” Next, it answers, “How do we produce?” Lastly, it answers, “Who gets what we produce”, or more technically, “how are resources allocated within the society?” The first two questions appear to be positive questions while the third seems subjective and normative. In fact, many economists neglect to conjecture about philosophy or ethics implicit in economic system organizations choosing instead to focus on theoretical models built upon a rational agent, without an ethical conscience.

Economists employ the rational consumer choice model in economic analysis with “homo economicus” as the central actor. “Homo economicus” has clearly defined preferences, and behaves with pure self-interest to maximize his own utility. The profit or payoff need not be solely material, however economists often use pecuniary terms to measure the value homo economicus assigns to alternative choices. Yet some criticize this narrow view of humanity and contend that man often makes irrational choices. Ignoring sunk costs, acting cooperatively, and deliberately self-sacrificing are behaviors homo economicus would never undertake, yet man often exhibits these non-egoistic behaviors.¹¹ Still, the argument for ethics and cooperation is not simply a religious or a moral one. Altruism is strongly associated

¹⁰ N. Gregory Mankiw, *Principles of Economics* (Stamford: Cengage Learning, 2013).

¹¹ Robert H. Frank, *Microeconomics and Behavior* (New York: McGraw-Hill Irwin, 2008) preface xi.

with life satisfaction and cooperative individuals often have advantage over pure opportunists in prisoner's dilemma and commitment problems.¹¹

Since Smith, many individuals have influenced and contributed to economic philosophy. Lord John Maynard Keynes expressed the power of economic philosophies, stating,

The ideas of economists and political philosophers, both when they are right and when they are wrong are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually slaves of some defunct economist.¹³

But the power of ideas is reciprocal. Here, the word "philosophy" refers to a "way of thinking," and not only are an economist's philosophies influential, but so too are the philosophies that shape the economist. Incipient economists are incubated in an environment informed and shaped by reigning theory. This is the very phenomenon Frank, Gilovich, and Regan exhibit in studying whether or not studying economics makes individuals more self-interested. They find that not only are economists less likely to cooperate, but first-year economic students become more opportunistic over the course of the year. This implies that economists are not necessarily inherently more opportunistic, but that the discipline influences their character.¹²

¹¹ Bruce Headley, Ruud Muffels and Gert G. Wagner, "Long-running German panel survey shows that personal and economic choices, not just genes, matter for happiness," *PNAS* 107, no. 42 (2010): 17922-17926; Robert H. Frank, *Microeconomics and Behavior* (New York: McGraw-Hill Irwin, 2008) xii.

¹³ Lord John Maynard Keynes, *The General Theory of Employment, Interest, and Money* (New York: Harcourt, Brace, and Co, 1936).

¹² Robert H. Frank, Thomas Gilovich and Dennis T. Regan, "Does studying economics inhibit cooperation?," *Journal of Economic Perspectives* 7, no. 2 (1993): 159-171.

Caldwell argues that the positivist philosophies widely adopted in the 1950s, affected the way scholars taught and understood economics as a discipline. He explains that many social sciences sought to emulate the hard sciences. This meant that it was imperative for the discipline to adopt positivist philosophies. In turn, these philosophies sought to develop *predictive theory*.¹³ Milton Friedman's *The Methodology of Positive Economics* defended this approach as the only way to evaluate policy effects, in order to even allow for normative debate. And further, Lord John Maynard Keynes proclaimed economics concerns itself only with the "what is," rather than with normative conjectures about "what *should be*."¹⁴

However it is easily illustrated that these questions are not easily divorced. Accepting a positivist philosophy without a successive normative discussion rejects the existence of an ideal. Indeed, what good is it to speak of "what is" without a consecutive discussion of how well it measures against objectives, values, or standards? The belief in ideals orders action to virtuous ends, and Aristotle believed it was possible to instruct and form the virtues by exercising human reason.¹⁵

He was perhaps the earliest and most unrelenting thinker in the domain of ethics and happiness. The Greek "eudaimonia," or "happiness" is composed of the root "eu," meaning "well" and "daimon" meaning "spirit." Together, Aristotle defines happiness as living well. He claims happiness is the ultimate human goal because it is the only one sought for its own sake. It is not a means to any other end; rather it is

¹³ Bruce Caldwell, "Of Positivism and the History of Economic Thought," *Southern Economic Journal* 79 (April 2013): 753-767.

¹⁴ Milton Friedman, *The Methodology of Positive Economics* (Chicago: University of Chicago Press, 1953).

¹⁵ Richard Kraut, "The Stanford Encyclopedia of Philosophy," *Aristotle's Ethics*, 2014, <http://plato.stanford.edu/archives/spr2014/entries/aristotle-ethics/> (accessed April 4, 2014).

the summit of human desire. Furthermore, “living well” is more than a state of mind, it is *exercising* the uniquely human ability to reason, through virtuous action.¹⁶ In order to practice virtue, he claims one must balance between two vices. For example, to practice courage, one must find the golden mean between rashness and cowardice.

However, neoclassical economics departs from this view and commonly uses the term “utility” to describe and quantify what the layperson calls happiness. Philosopher and economist Jeremy Bentham is responsible for developing the Utilitarian philosophy in the late eighteenth century. This philosophy crowned pleasure as the greatest good, and pain as the greatest evil. Thus, he believed the ultimate economic outcome was one that maximized pleasure for the greatest number. For this reason, he openly disdained the religious ascetic; naming him/her the ultimate enemy of utility by his/her rejection of pleasure. He claimed that religious persons are marked by the “narrowness of their intellect, undiluted by knowledge,” and “continually open to the attacks of fear.”¹⁷ In his mind, spiritual and religious persons denied themselves pleasure, whether motivated by fear or hope, to secure their eternal fate.

In the nineteenth century, John Stuart Mill, another philosopher and economist, expanded this theory in his book, *Utilitarianism*. He believed Bentham’s view of happiness was too narrow. Mill agreed Utilitarianism’s basic principle was

¹⁶ Richard Kraut, "The Stanford Encyclopedia of Philosophy," *Aristotle's Ethics*, 2014, <http://plato.stanford.edu/archives/spr2014/entries/aristotle-ethics/> (accessed April 4, 2014).

¹⁷ Jeremy Bentham, “An Introduction to the Principles of Morals and Legislation,” *Library of Economics and Liberty*, 1907, <http://www.econlib.org/library/Bentham/bnthPLM2.html> (accessed 2014 йил 5-March).

that moral actions are those that propagate the greatest general happiness. However, unlike Bentham, Mill asserted that an action that is painful for one person could still be moral, in so far as it generates greater *net* happiness. Mill believed virtue and sacrifice are not ends in themselves, but rather components of happiness. Unlike Aristotle, who believed virtue should be cultivated in conscience to generate proper actions, Mill believed the motivation behind the action was irrelevant. Only actions could be judged, not people or their intentions.

Catholicism offers yet another theory of happiness. The church's Catechism, the collection doctrine, speaks of the very hope Bentham disdained-- saying: "Buoyed up by hope, man is preserved from selfishness and led to the happiness that flows from charity"¹⁸. Also, in contrast to Bentham's unfettered hedonism, the church teaches an individual's economic activity must not only fulfill his/her own desires, but must also be in solidarity with neighbor. Pope Leo XIII's encyclical *Rerum Novarum*, the first Social Teaching letter, closed with this statement:

For, the happy results we all long for must be chiefly brought about by the plenteous outpouring of charity; of that true Christian charity which is the fulfilling of the whole Gospel law, which is always ready to sacrifice itself for others' sake, and is man's surest antidote against worldly pride and immoderate love of self.¹⁹

¹⁸ *Catechism of the Catholic Church*, 2nd Edition (New York, New York: An Image Book, 1997) section 1818.

¹⁹ Leo XIII, "Encyclical Letter *Rerum Novarum*," *Vatican*, 1891, <http://www.usccb.org/beliefs-and-teachings/what-we-believe/catholic-social-teaching/foundational-documents.cfm> (accessed March 26, 2014) paragraph 143.

Mill would likely agree with this idea since he believed the very pursuit of happiness could destroy it. In his autobiography, he stated, “Those only are happy (I thought) who have their minds fixed on some object other than their own happiness; on the happiness of others, on the improvement of mankind, even on some art or pursuit, followed not as a means, but as itself an ideal end.”²⁰

There is empirical evidence to support this notion; for instance, Konow and Earley’s experiment involving the relationship between happiness and giving. In their study, they used dictator games, measures of Subjective Well Being, Psychological Well Being, and Material Well Being to determine the correlation between giving and long term happiness. In the dictator game, there are two subjects and a cash endowment. One subject is the dictator and the other is the recipient. The dictator has the sole active position of deciding how to split the endowment between himself and the recipient. Researchers commonly employ this experimental design to evaluate the prevalence of self-interested, homo economicus behavior.

Here, an economic framework benefited the researchers such that they considered both short run and long run well-being. They consider subjective well-being as a flow variable that is a function of psychological well-being, a stock variable. While utilitarianism rationalizes giving behavior by assuming the utility one gains from giving is the “warm and fuzzy feeling,” their experimental findings contradict this hypothesis. Generosity did not causally affect happiness in the short run, i.e. there was not an immediate emotional response to giving. Instead,

²⁰ John Stuart Mill, *Autobiography* (London: Penguin , 1893).

psychological well-being caused both generosity and long-term increase in subjective well-being. Importantly, they find that goals which promote psychological well-being such as altruism, social engagement, and volunteerism are more effective for increasing long term happiness than the pursuit of wealth.²¹

Their approach to measuring subjective well-being is a result of renewed interest in happiness economics that began in the 1970's, inciting a new wave of research. Richard Easterlin broke ground with the first quantitative calculations of happiness, or subjective well-being. He sought to measure whether happiness necessarily increased when income did. His earliest research concluded that increased economic growth (output=income=GDP) did not "improve the human lot," i.e. he did not find increased happiness with increased income.²² And thus, the "Easterlin Paradox" became the catchphrase commonly used to describe increasing income without proportional increase in happiness. Supposing this relationship is true, there must be additional factors affecting happiness.

Since Easterlin's first findings, many researchers have sought to expound upon this "paradoxical" relationship. Interest in "happiness economics" developed into a distinct sub- discipline. The birth of the Human Development Index, Bhutan's Gross National Happiness, the World Progress Indicator, and the New Economics Foundation's "Happy Planet Index" all mark a departure from using GDP as the sole indicator of economic growth. These indices include factors that allegedly affect

²¹ James Konow and Joseph Earley, "The Hedonistic Paradox: Is homo economicus happier?," *Journal of Public Economics* 92, no. 1-2 (February 2008): 1-33.

²² Richard A. Easterlin, "Does Economic Growth Improve the Human Lot?," in *Nations and Households in Economic Growth: Essays in Honor of Moses Abramovitz*, ed. P. A., Reder, M. W. David, 89-125 (New York, 1974).

happiness such as health, crime rates, ecological diversity, and life expectancy. They are evidence of efforts to move toward a more nuanced representation of social well-being, economic health, and progress. Meanwhile, The World Database of Happiness and The Journal of Happiness Studies are useful collections of data and research on the subject.

Layard²³ identifies nonmonetary factors that contribute to subjective wellbeing. He finds community and family security, mental health, and quality of relationships are important determinates of happiness. Likewise, Wang and Wong determine the quality of leisure time, not just the quantity; affect the individual's happiness. Activities directed toward self-actualization and meaningful relationships were particularly rewarding. In contrast, "going to the movies" was the only leisure activity in their study that was negatively correlated with happiness.²⁴

An extremely important addition to the happiness discussion came in 2010, when researchers with the German Socio-Economic Panel published their findings from a twenty-five year longitudinal study.²⁵ Their results debunked long-held "set-point theory," which assumes individuals have a genetic homeostatic level of happiness above or below which they experientially deviate, but ultimately return. Instead, they found economic policy and personal decisions play a large role in determining happiness. They concluded mental stability, marital status, health,

²³ R. Layard, *Happiness: Lessons from a New Science* (London: Penguin Books, 2005); R. Layard, "Measuring Subjective Well-Being," *Science* 327, no. 5965 (January 2010).

²⁴ Miao Wang and Man Chiu Wong, "Leisure and happiness in the United States: evidence from survey data," *Applied Economic Letters* 18, no. 18 (November 2011): 1813-1816.

²⁵ Bruce Headley, Ruud Muffels and Gert G. Wagner, "Long-running German panel survey shows that personal and economic choices, not just genes, matter for happiness," *PNAS* 107, no. 42 (2010): 17922-17926.

altruism, and religious practices were a few of the variables positively correlated with happiness.

Although many researchers bolstered Easterlin's original hypotheses, more research has developed which indicates that, in the long run, increased prosperity *does* positively correlate with increased happiness, but only up to a certain level. Once this level of income is met, additional income gains do not produce additional happiness. Evidence includes Diener et al., Veenhoven, Easterlin, and Graham.²⁶ Specifically, Graham finds that happiness exhibits a U-shaped relationship with income; ascending to a certain point and then tapering off and eventually declining. Also, there are certain cases of extreme poverty but high happiness. However, she notes the "miserable millionaire" and "happy peasant" are the outliers, not the general patterns.

Several researchers have found a correlation between happiness and religiosity as measured in terms of participation rate.²⁷ However, it was not possible to control for reverse causation in these non-experimental studies. Researchers admittedly could not determine whether happy people were more likely to be

²⁶ R. Veenhoven, *World Database of Happiness*, <http://worlddatabaseofhappiness.eur.nl/> (accessed March 5, 2014).; Carol Graham, *Happiness Around the World: The Paradox of Happy Peasants and Miserable Millionaires* (Oxford: Oxford University Press, 2010).; Richard A. Easterlin, "Does Economic Growth Improve the Human Lot?," in *Nations and Households in Economic Growth: Essays in Honor of Moses Abramovitz*, ed. P. A., Reder, M. W. David, 89-125 (New York, 1974).

²⁷ D. Bok, *The Politics of Happiness: What Government Can Learn from the New Research on Well-Being* (New Jersey: Princeton University Press, 2010).; Christopher Ellison, "Religious Involvement and Subjective Well-Being," *Journal of Health and Social Behavior* 32 (1991): 80-99.; D. Kahneman, A. Krueger, D. Schkade, N. Schwartz and A. Stone, "Would you be happier if you were richer? A focusing illusion," *Science* 312: 1908-1910.; R. Layard, *Happiness: Lessons from a New Science* (London: Penguin Books, 2005).; Adam Okulicz-Kazaryn, "Religiosity and Life Satisfaction across Nations," *Mental Health, Religion and Culture* 13 (2010): 155-169.; Constance Shehan, Wilber Bock and Gary Lee, "Religious Heterogamy, Religiosity, and Marital Happiness: The Case of Catholics," *Journal of Marriage and the Family* 52 (1990): 73-79.; Betsey Stevenson and Justin Wolfers, "The Paradox of Declining Female Happiness," *American Economic Journal: Economic Policy* 1 (2009): 190-225.

religious, or if religious people were more likely to be happy. However, Cohen-Zada et al. designed a quasi-experimental research project in which they obtained happiness levels and religious attendance before and after the repeal of “blue laws.” Blue laws prohibited business on Sunday, but when they were repealed, this increased the opportunity cost of attending religious services. They found religious attendance *and* happiness fell for women. Controlling for endogenous variables, they were able to isolate the effect of religious attendance and found a positive, statistically significant effect on happiness.

Jeff Sachs argues that training in ethics can improve individual and social wellbeing.²⁸ On one extreme, if individuals’ income and consumption are the *sole* focus of a society, unfettered materialism leads individuals to an empty pursuit of wealth. On the other hand, without economic development, citizens are left fighting for subsistence in the slop of poverty. Therefore, there must be a middle ground, and ethics offers a solution to reframing the mind. Matthieu Ricard notes, “Happiness is a way of interpreting the world, since while it may be difficult to change the world, it is always possible to change the way we look at it.”²⁹

Undoubtedly, the majority of respondents, if asked what they desire in life, would answer, “to be happy.” The present behavioral economic literature implies that non-egoistic behaviors such as altruism and cooperation are at least necessary, if not sufficient, conditions for life satisfaction. Yet these behaviors are distinctly

²⁸ Jeffrey Sachs, “Restoring Virtue Ethics in the Quest for Happiness,” *World Happiness Report*, 2013: 81-98.

²⁹ M Ricard, *Happiness: A guide to developing life’s most important skill* (New York: Little, Brown and Company, 2007).

absent in the self-interested homo economicus, which is the central agent for rational choice in economics. Instead these practices are cultivated through habitual virtue ethics.

Psychology, sociology, and ethics give insight into human well-being. But unless the economic teachings at least acknowledge these impulses in man, those trained in the discipline may misperceive homo economicus as a prescriptive model for human behavior. If economists continue to adopt opportunistic behavior, then they may indeed find themselves altered by “the dismal science.” However, Catholic Social Teaching offers one model of human behavior built on neo-scholastic ethics. Unlike theology or religious doctrine, the Social Teachings address man’s earthly life. Thus, this is the Catholic Church’s modern commentary on “the good life” and “the good economy.”

Section 3: Methodology

This thesis will analyze Catholic Social Teaching's intersection with economic systems, their philosophical underpinnings, and traditions. The historical and interpretive outlook will apply church teaching to economic systems in order to better understand the scholastic virtue ethic and how it may manifest in economic practice. Furthermore, the credence found in the Catholic Social Teaching documents will be evaluated to determine the modern application of traditional virtue ethic and the Catholic Church's view of the "Good Economy."

In order to obtain a holistic scope of Catholic Social Teaching over time, the primary documents to be analyzed are the first social encyclical, *Rerum Novarum* by Leo XII, *Quadragesimo Anno* by Pius XI, and *Centissimus Annus* by John Paul II. The latter two are chosen because they were presented on the fortieth and one-hundredth anniversaries of Catholic Social Teaching's beginning, respectively. Each encyclical, letter, or exhortation will be an individual unit of analysis.

Additionally, the qualities of interest are: the theory of the human person, the relationship between labor and capital, the role of "justice," and the externalities of vice. I will be collecting this data and conducting research in my office and in the library using the University of Southern Mississippi Library database, the Vatican Holy See and the Catechism of the Catholic Church. In order to obtain the documents, I will use the United States Council of Catholic Bishops website, www.usccb.org, and The Vatican website http://www.vatican.va/phome_en.htm.

In order to ensure validity, one challenge will be determining the exhaustive categories that distinguish the themes in Catholic Social Teaching documents.

Furthermore, since the purpose of the research is to interpret the Catholic point of view, it is framed within an ideology that accepts objective Truth.

In summary, this research will analyze *Rerum Novarum* by Leo XIII, *Quadragesimo Anno* by Pius XI and *Laborem Exercens* and *Centesimus Annus* by John Paul II. It will trace out congruencies and dissonance in historical development as well as identify key themes. The research will be twofold. First, the Roman Catholic vision of “happiness” and “the good life” in relation to practical ethics will be briefly explored. Next, keeping this understanding in mind, Catholic Social Teaching will be placed beside three economic systems: capitalism, socialism, and distributism, for comparison.

Section 4: Happiness in Catholic Tradition

Before turning to Roman Catholic doctrine, Judaism, the predecessor of Roman Catholicism, reveals the origins of “happiness” theories in these religious traditions. The Jewish Torah corresponds to the first five books of the Roman Catholic Bible, known as the Pentateuch. In the fifth book, Deuteronomy, the authors recount the establishment of their God’s covenant with the people. The first condition for a happy life is laid down, namely: “the Lord commanded us to observe all these statutes in fear of the Lord, our God, that we may always have a prosperous and a happy life.”³⁰ The statutes are the Laws given to Moses, which Christians refer to as the Ten Commandments. Placing God before all others, keeping holy His name, resting and worshiping on the Sabbath day, honoring father and mother, not killing, not committing adultery, not stealing, not bearing false witness, and not coveting goods or spouses, are the first recommendations to secure a happy life.³¹

One can draw loose parallels to these statutes in the economic literature. For instance, church attendance and leisure time, as fulfilled by the third command, were found to have statistically significant effects on subjective well-being, the working definition researchers use to quantify “happiness.”³² However, it would be a falsehood to state that there is finite empirical evidence that when followed, each commandment elicits happiness.

³⁰ Dt. 6:24

³¹ Dt. 5: 7-21

³² Headley, Bruce, Ruud Muffels, and Gert G. Wagner. (2010).

Furthermore, reaching beyond the Torah into Christian Old Testament literature, one finds more evidence of the Christian theory of happiness. In the Wisdom literature, Psalms and Proverbs, there are more than eighteen references to the happy individual.³³ Among those lauded as “happy” are the just, the blameless, those who seek God, those who walk with integrity, those who look after the poor, etc. From these themes, one can see the Old Testament authors strongly associated a moral life or virtuous life with a happy life.

The Catechism of the Catholic Church begins with the proclamation that the desire for happiness is inherent for the human person. The Church proclaims that it is in human nature to seek a fulfilled and happy life, which ultimately means seeking God, even if the person cannot recognize it is Him he seeks.³⁴ The Catechism further defines the Beatitudes as the call to Christian happiness. In the New Testament gospel of Matthew, this “happiness” that Christ speaks of can be likened to what economist Kahneman calls “life satisfaction.” Although individuals often think of happiness as the emotional state of contentment, here happiness refers to an overall “good life.” *Makarios* is the Greek word from which comes the translation “blessed.” Here, the word confers a meaning of godlike joy, lasting satisfaction not dictated by chance or circumstance. As was shown earlier, this is the same understanding Locke and Jefferson had based on their formation in classical Greek and Roman philosophy.

³³ Jb 5:17; Ps 2:11; Ps 34:9; Ps 40:5; Ps 41: 2; Ps 85:4; Ps 94:12; Ps 106:3; Ps 144:15; Ps 146:5; Prv 20:7; Prv 28:14; Prv 29:18; Sir 25:8; Sir 25:9; Sir 28:19

³⁴ *Catechism of the Catholic Church*. (1997). 2nd Edition. New York, New York: An Image Book. section 1718.

Blessed are the poor in spirit, for theirs is the kingdom of heaven.
Blessed are those who mourn, for they shall be comforted.
Blessed are the meek, for they shall inherit the earth.
Blessed are those who hunger and thirst for righteousness, for they shall be satisfied.
Blessed are the merciful, for they shall obtain mercy.
Blessed are the pure in heart, for they shall see God.
Blessed are the peacemakers, for they shall be called sons of God.
Blessed are those who are persecuted for righteousness' sake, for theirs is the kingdom of heaven.
Blessed are you when men revile you and persecute you and utter all kinds of evil against you falsely on my account.
Rejoice and be glad,
for your reward is great in heaven.

Addressing the first claim to a happy life, the “poor in spirit” does not to all intents and purposes refer to the materially poor. Although the Church acknowledges that wealth should not be the sole driver of human motivation or become an idol before God, wealth is viewed as a gift from God when taken in proper order. To corroborate this idea, research spanning twenty-five years showed that people’s *goals* matter. That is to say, the ends that individuals persistently pursue affect their life satisfaction. These findings showed that prioritizing worldly success and material goals *decreases* life satisfaction while pursuing altruistic goals *increases* life satisfaction.³⁵ This illustrates the argument that wealth is not inherently bad, but where “the individual’s heart is.” Furthermore, the evidence that these teachings do not refer to an emotional state is illustrated simply by the second

³⁵ Headley, Bruce, Ruud Muffels, and Gert G. Wagner. "Long-running German panel survey shows that personal and economic choices, not just genes, matter for happiness." *PNAS* 107, no. 42 (2010): 17922-17926.

statement, "Blessed are they who mourn," since one cannot experience the emotion of happiness and grief at once.

Section 5: Capitalism and Catholic Social Teaching

Although the popes are not economists by trade, their commentary cannot be discarded after considering the economic discipline's origins in philosophy.

Capitalism offers the first example of a case where Catholic Social Teaching has a relevant and practical voice in economic discourse.

The *economic system* of Capitalism and the *philosophies* of Catholic Social Teaching are not inherently at odds. In the past, the popes have spoken out against social conditions and economic activities that threaten man's dignity. However, as Pope John Paul II stated, "opposition between labor and capital does not spring from the structure of the production process or from the structure of the economic process." The Church does not view the economic processes of capitalism as a threat. However, Catholic Social Teaching concerns itself with the *application* of these principles in each society. Furthermore, the church's theories pertaining to the human person's nature, to the conflict between labor and capital, and to the direction of man's economic impulses, add richness to the foundations of capitalism and man's pursuit of happiness.

Sociologist Max Weber hypothesized that after Luther posted his 95 Theses, the Protestant work ethic incubated and spread Capitalism during the 1600s in Protestant Northern European countries.³⁶ However, this theory has been subjected to criticisms and appears flimsy under scrutiny. During the same period, capitalism was already flourishing in northern Italy, Catholic populations returned to

³⁶ Weber, Max. *The Protestant Ethic and the Spirit of Capitalism*, tran. Talcott Parsons (London: unwin, 1930).

proportionally high levels at the end of the 1600s, and labor *productivity* did not rise even though GDP did.³⁷ But Protestantism, Weber may rightly conclude, did vastly alter the concept of utility. Virtue becomes irrelevant because it is not necessary for salvation. Therefore, theorists like Mandeville and Enlightenment philosophers even saw private vice as virtue because it leads to economic growth.³⁸ These notions developed during the 1700s and set the stage for Smith's theories about the market and man's self-interest.³⁹

Adam Smith's ideas of political economy, which form the basis of capitalist philosophy, rest on three assumptions a) "individualism and self-interest are predominant human traits." b) "humans are social creatures who engage in exchange for mutual advantage" and c) "people are motivated by a spirit of competition."⁴⁰ These three statements reveal capitalism's foundation is one built upon metaphysical arguments.

In Adam Smith's *Inquiry into the Nature and Causes of The Wealth of Nations*, he describes the fission of philosophy taught in universities of Europe into two sciences: Physics and Metaphysics. Although the Greeks originally separated philosophy into physics, ethics (moral philosophy), and logic, it eventually splintered into five sciences: logic, ontology, pneumatology, moral philosophy, and

³⁷ Edmund S. Phelps, "The Good Life and the Good Economy: The Humanist Perspective of Aristotle, the Pragmatists, and the Vitalists; and the Economic Justice of John Rawls," in *Lecture in the Annual Series "Aristotle and the Moderns"* (New York: Low Library Columbia University, October 3, 2007).

³⁸ Jeffrey Sachs, "Restoring Virtue Ethics in the Quest for Happiness," *World Happiness Report*, 2013: 87.

³⁹ *Ibid.*, page 87-88.

⁴⁰ Marshall Cavendish Reference, *Economic Literacy: A complete guide*, ed. Stephanie Schwartz Driver (New York: Marshall Cavendish Reference, 2010).

physics.⁴¹ Physics, the study of the natural world, became pitted against Metaphysics, the study of the nature of being. Metaphysics discovers the existence and nature of all things, reaching beyond the physical traits to discuss the essence and proclivity in a more intangible sense.

When universities were most commonly attended by clerics and religious, theology and moral philosophy retained precedence over the study of physics. Over time however, as university grew populated by businessmen, more “practical” physical sciences took the forefront of education. The ancient philosophers were concerned with achieving happiness on earth for man, which superseded man’s duties. Adam Smith claimed however that many came to believe that man’s happiness is inconsistent with moral theology because moral theology acclaims asceticism and penance.⁴² For this reason, studying the unseen above studying the physical world was viewed as futile and disreputable. His arguments point to a common understanding of religion as oppressive and stifling. Cast in this light, man’s happiness on earth and in the afterlife are seen as a zero-sum game; attainment of one implies the loss of another.

However, the Catholic Church proclaims the importance of both. Unlike asceticism, Catholic Social Teaching does not maintain that one must reject all earthly goods and experience misery in order to achieve salvation. Instead, because all things are deemed a gift from God, each person must experience earthly life with

⁴¹ Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. 2 (Chicago: University of Chicago, 1976), pages 316-319.

⁴² Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. 2 (Chicago: University of Chicago, 1976) page 294.

a sense of gratitude. This means approaching the material with a sense of detachment, where the material world is neither a sole priority for earthly happiness nor a definitive impediment for eternal happiness. Not surprisingly, gratitude has also been empirically and experimentally linked with higher levels of happiness.⁴³

Addressing point (a) of Smith's assumptions, man's nature may be one of "self-interest" but the philosophy of the human person can lead to varying visions of "self." For example, Ayn Rand, one of capitalism's most vociferous disciples in the twentieth century, maintained that man exists solely for the sake of himself. She stated,

"Man—every man—is an end in himself, not a means to the ends of others; he must live for his own sake, neither sacrificing himself to others nor sacrificing others to himself; he must work for his rational self-interest, with the achievement of his own happiness as the highest moral purpose of his life."⁴⁴

This view of man sharply contrasts with the Catholic teaching that man was created to love by a God who is Love embodied. John Paul describes love as definitively willing the good of the other, for the sake of the other.⁴⁵ Catholic Social Teaching claims that man is the image of the Creator, drawing from the book of Genesis which proclaims, "God created man in His own image... male and female."⁴⁶

⁴³ Robert A. Emmons and Michael E. McCullough, «Counting Blessings Versus Burdens: An experimental investigation of gratitude and subjective well-being in daily life,» *Journal of Personality and Social Psychology* 84, no. 2 (2003): 377–389; Russell L. Kolts, Tamara Stone, Philip C. Watkins and Kathrane Woodward, «Gratitude and happiness: Development of a measure of gratitude and relationships with subjective well-being,» *Social Behavior and Personality: an international journal* 31, no. 5 (2003): 431-451.

⁴⁴ Ayn Rand, *Atlas Shrugged* (Random House , 1957) Appendix.

⁴⁵ Pope John Paul II, *Love and Responsibility* (San Francisco: Ignatius Press , 1981).

⁴⁶ Gn. 1:27, New American Bible

At the center of “self” is the breath of the Creator, God. This philosophy vastly alters the meaning of man. Ascribing to this Truth means the most self-interested action man can commit is worship of the creator, God.

Furthermore, Catholic Social Teaching treats man as the subject and object of work because of the idea that man is imbued with the Creator. John Paul II proclaimed, “work is ‘for man’ and not “man for work.”” Because man is not a machine, but rather a self-conscious being, the type and quality of labor s/he engages in should occupy a place in the concerns of employment. That is to say, not all work can be treated equally. A value metric must be applied when thinking about job creation, such that demeaning employment is not weighted the same as dignified employment.

In the eyes of the Church, the temptation to abstract man into an impersonal “object” or “machine” is one of the potential dangers economics should resist. Even more, the Popes have highlighted the error of equating man with capital as merely a means of production; this is what John Paul II calls, “the error of economism.”⁴⁷ This philosophy can lead to dehumanizing labor conditions and infringement on man’s natural freedom. Indeed, homo economicus is the agent at the center of the rational consumer choice model and for technical purposes this may be the only viable abstraction. Yet, economic scholars, businessmen, and politicians must resist the temptation to dehumanize the subject of their agendas. Catholic Social Teaching warns that any capitalist economic system holding this same philosophical origin

⁴⁷ Pope John Paul II, «Laborem Exercens,» *The Holy See* , 14 de September de 1981, http://www.vatican.va/holy_father/john_paul_ii/encyclicals/documents/hf_jp-ii_enc_14091981_laborem-exercens_en.html (accessed 2 de November de 2014) section 13.

necessarily threatens man. As the discipline of economics moves from political philosophy and ever closer to Physics and the hard sciences, John Paul II cautions scholars to keep sight of man's value not for his/her productivity, but simply for the nature of being.

Keeping man's primacy over capital and the material world means prioritizing his nonphysical needs as well. Any economic system that fosters isolation, emotional, or spiritual decay does not lead to true growth and progress in a society. One of the dangers of capitalism is the laborers' detachment from the product of their work. When the means of production are concentrated in the hands of an elite group of managers and executives, laborers may lose connection with the output they produce.

Capitalism is the economic system in which the means of production are privately owned. While the Church has historically stressed man's right to private property, it is critical of capitalism carried out in liberalism in which capital can be held for the sake of holding it. What this implies is that although man has a right to private property, s/he does not have a right to hoard the means of production in order to secure lordship and control over laborers. This undermines the primacy of man as the center and purpose of the production process.

Catholic Social Teaching and Lord John Maynard Keynes highlight the fact that all capital flows from the labors of man. Capital is simply human ingenuity, thought, and works stored and reconfigured. For this reason, Keynes regards labor

as the sole factor of production.⁴⁸ John Paul II acknowledges technology is “a basic coefficient of economic progress” but must never be held in higher regard than man. He reasons that when the proper ordering is lost such that the “supremacy of man” is no longer upheld, materialism results. In this instance, physical objects become more important than human beings. Catholic Social Teaching names this phenomena “the conflict of labor and capital,”

Capitalism’s second philosophical assumption (b) speaks also of man’s social nature. However, from Catholic Social Teaching’s point of view this tenet, that “humans are social creatures who engage in exchange for mutual advantage,” implies a contract relationship between neighbors. While this is right and just, it is not the fullness of goodness that the Church envisions for humanity. Instead, acknowledging and living a principle of solidarity prompts human beings to empathize and share in both the joys and the pains of fellow man. Solidarity probes man to eradicate injustice because he sees his neighbor as his own kind. In fact, dehumanization is one of the most powerful tools for injustice.⁴⁹

The social nature of man speaks of his need to belong to a community; the first community of which an individual is a part is his family. Subsidiarity is the virtue concerned with authority; the Church maintains that as much as possible, authority must function at a localized and proximate level. John Paul II asserts that family life is a natural aspect of the human condition and within economics he

⁴⁸ Lord John Maynard Keynes, *The General Theory of Employment, Interest, and Money* (New York: Harbinger, 1965) page 214.

⁴⁹ Nick Haslam, «Dehumanization: An Integrative Review,» *Personality and Social Psychology Review* 10, no. 3 (2006): 252–264.

names it “a community made possible by work”⁵⁰. This is the first school of thought and indeed the foundation of a society. Because of this, Catholic Social Teaching maintains that the family must be the central agent or concern in economic systems. In so far as capitalism does not hinder or harm the family, then it remains an acceptable and viable system.

One of the paramount presuppositions of capitalism is that the system naturally arises as a result of man’s nature. Analogously, without interventions, a market-based economy fueled by competition would inevitably develop. However, there are also claims that market capitalism should be lauded for granting women freedom to overcome the burden of childbirth. Technology accordingly unchains the woman from a domesticated life allowing her to pursue “what she really wants.”⁵¹ Here one must pause to contemplate: what may be more natural to woman and man than the continuation of their own species? This is not to say a woman must be a mother in order to be fully human, but the contradiction of goals is evident. In one sense society seeks to enable man’s nature, at the same time, it attempts to subdue it.

⁵⁰ Pope John Paul II, «Laborem Exercens,» *The Holy See* , 14 de September de 1981, http://www.vatican.va/holy_father/john_paul_ii/encyclicals/documents/hf_jp-ii_enc_14091981_laborem-exercens_en.html (accessed 2 de November de 2014).

⁵¹ Joyce Appleby, *The Relentless Revolution: A history of capitalism* (New York: W.W. Norton & Company, 2010).

Section 6: Socialism and Catholic Social Teaching

Catholic Social Teaching and Socialism are occasionally considered allies, yet at others times, enemies. In fact, the social encyclicals were first undertaken because Catholics urged the Pope to clarify the Church's stance on man's economic question. On one hand, Liberalism rebuffs Catholic Social Teaching as a diluted form of Socialism, simply substituting the "moral prescriptions" of the Church for the State.⁵² Yet Catholicism threatens Socialism because Catholics view the Church as an authority figure and this undermines egalitarian collectivism. However, the popes have maintained that the economic system best suited to man's needs adheres to neither individualism nor collectivism.

Pope Pius XI explicitly states that he and his predecessors "sought no help from either Liberalism or Socialism, for the one had proved that it was utterly unable to solve the social problem aright, and the other, proposing a remedy far worse than the evil itself, would have plunged human society into great dangers."⁵³ Here, Liberalism refers to Economic Liberalism, which is expressed in modern Libertarian ideology and rejects any State interference in the economy. Meanwhile, Socialism is the political theory and economic system in which centralized planning controls the means of production in order to obtain equal appropriation of resources.

⁵² Von Mises, Ludwig. *Socialism: An Economic and Sociological Analysis*. (Indianapolis, Liberty Fund Inc., 1981) Part II, Section II, Chapter 16 paragraph II.16.2

⁵³ Pope Pius XI, "Quadragesimo Anno" *The Holy See*, 15 de Mayo de 1931, http://w2.vatican.va/content/pius-xi/en/encyclicals/documents/hf_p-xi_enc_19310515_quadragesimo-anno.html (accessed December 30, 2014) paragraph 10.

The Social-Democratic Federation of Britain describes Socialism as “the socialization of the means of production, distribution, and exchange to be controlled by a democratic State in the interest of the entire community, and the complete emancipation of labor from the domination of capitalism and landlordism, with the establishment of economic equality between the sexes.”⁵⁴ Catholic Social Teaching is similarly concerned with inequality, but denies the State’s role in directly allocating resources. Instead members of society must be free act in virtue of solidarity.⁵⁵ Collective action by the State replaces the responsibility of the individual to attend to the needs of his neighbors and thus denies man the ability to practice and foster virtue.

The virtue of solidarity is one aspect of Catholic Social Teaching very closely tied with the economic writings of Jesuit economist Heinrich Pesch. Pesch was once called “the first theorist who attempted to construct an economic theory based on Aristotelian-Thomistic philosophy.”⁵⁶ The ideas he expressed are evidently echoed in Catholic Social Teaching encyclicals, particularly Pope Pius XI’s *Quadragesimo Anno*. Although he died before it was published in 1931, his understudies Oswald von Nell Breuning and Gustav Gundlach were the Pope’s main advisors during its drafting⁵⁷. Pesch, Gundlach, and von Nell Breuning were all Jesuit priests but Pesch

⁵⁴ Watson, & Viney Hazel, "Socialist Movement: Great Britain," *Hazel's Annual*, 1908: 528.

⁵⁵ Leo XIII, “Encyclical Letter *Rerum Novarum*,” *Vatican*, 1891, <http://www.usccb.org/beliefs-and-teachings/what-we-believe/catholic-social-teaching/foundational-documents.cfm> (accessed 2014 йил 26-March) section 58.

⁵⁶ Mulcahy, S.J., Richard E. “The Welfare Economics of Heinrich Pesch.” *The Quarterly Journal of Economics*, Vol. 63, No. 3 (Aug., 1949), pp. 343

⁵⁷ Ederer, Rupert. *Introduction to the Second Edition of Ethics and the National Economy by Heinrich Pesch*. (Norfolk, Virginia, IHS Press, 2004) pp. 22

was the economic theorist. From 1905 to 1923, he devoted himself to writing a thirteen volume compendium of his economic theories entitled, *Lehrbuch der Nationalökonomie*, translated, *Teaching Guide to Economics*, and although the concept of solidarity certainly precedes him, Solidarism as an economic theory is attributed to his ideas.

Solidarism maintains that private property and privatized production are the only way to uphold the liberty and autonomy of the family and individual. However, it encompasses a commitment to the common good such that the ends of production seek to better the whole community. Freedom of association is one of the key aspects of this theory in order to foster cooperation and exchange between rich and poor, laborers and employers, laborers and other laborers, and foreign nations. These principles are visibly influential in Catholic Social Teaching. According to the United States Conference of Catholic Bishops, Catholic Social Teaching addresses seven themes: dignity of the human person, social organization as families and communities, rights and responsibilities of man, poverty, labor conditions, solidarity, and subsidiarity with creation.⁵⁸ Because the economy often tinctures these themes in some way, “a living wage,” “man’s primacy in the production process,” “unemployment,” and “employment of women” are but a few of the economic issues the Popes address in their writings. However, the social encyclicals are not intended to construct or theorize a “Catholic economic system.” Pesch illustrated this with the following statement:

⁵⁸ United States Conference of Catholic Bishops, “Seven themes of catholic social teaching,” *United States Conference of Catholic Bishops*, 2005, <http://www.usccb.org/beliefs-and-teachings/what-we-believe/catholic-social-teaching/seven-themes-of-catholic-social-teaching.cfm>

Religion cannot produce corn nor abolish physical evil. Nations with high moral standards will receive economic benefit from the active, particularly social virtues of their citizens, and will better overcome physical evil in difficult times. However, on this account the economist will not then treat the matter of his theory in a theological or moral way, nor certainly should he extract an economic system from Holy Scripture. The medieval scholastics, modern philosophers, and theologians treat the facts of economic life under the aspects of morals. That is not the concern of the economist. He will not certainly proceed in opposition to the requirements of moral theology, but at the same time he will not forget that today, economic theory has become an independent science, which studies the economic life of a nation under a different aspect than does moral theology.⁵⁹

The distinction here between ethics and morals is technical and philosophically rooted, but nevertheless extremely important. Pesch maintained that the economy must be ordered towards an ideal, what he claimed the State must ensure is measurable and objective. With this, he maintains an economic system must be *ethical*. Ethics are the external measures of right and wrong. However, morals are subjectively applied in the individual's life. While Pesch maintains that the economic system cannot infringe upon ethics, he conceded that moral philosophy should not be the economist's pursuit.

Pesch's insistence that economics cannot be separated from ethics is not isolated, antiquated, or exclusively Roman Catholic. Instead Scholastic philosophy engenders any theory that seeks to direct social change to an ideal.⁶⁰ Many Scholastic theorists have also historically been Catholic, but this is certainly not a necessary condition. However, the link between religion and philosophy shape economic theory in a nontrivial way. At the end of the nineteenth century, America

⁵⁹ Pesch, Heinrich. *Volkswirtschaftslehre der Gegenwart I*

⁶⁰ Harris, Abram L. "The scholastic revival: The economics of Heinrich Pesch." *Journal of Political Economy*, Vol. 54, No. 1 (Feb., 1946), pp. 38-59

ushered in a greater commitment to science with the Progressive Revolution. The German school system took root and with this research and evolutionary discovery became priority while the study of classic texts was abandoned.⁶¹ Classic texts include those authored by Euclid, Aristotle, and Thomas Aquinas. Tradition is one of the defining, albeit sometimes criticized, characteristics of the Catholic Church and tradition is often viewed as an impediment to progress. John Paul II, on the anniversary of the first Catholic Social Teaching encyclical, emphasized foundation and tradition as riches allowing individuals to view current problems with the wisdom of the past.⁶² The fissure between the field of economics and philosophy necessarily expanded such that economics in the twentieth century sought to completely isolate itself from ethics. However, since the 1950's Scholastic philosophers and their influence on economic theory have engaged greater attention among economic historians. In fact Schumpeter, although vociferously disputed, claims capitalism and the beginnings of economics predate Adam Smith, originating with Scholastic scholars of the sixteenth century.⁶³

Furthermore, modern economists Jeffrey Sachs, and Nobel Laureate Edmund Phelps are two examples of lauded economic figures that have contended the economic system must uphold and obey not only the laws of physics, but also

⁶¹ Eisner, Mark Allen. *The American Political Economy: Institutional Evolution of Market and State*. (New York, Routledge, 2011) pp. 42

⁶² Pope John Paul II, *Centesimus Anus*, The Holy See. May 1, 1991. http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_01051991_centesimus-annus.html, (Accessed February 2, 2015), paragraph

⁶³ Muñoz de Juana, Rodrigo. "Scholastic Morality and the Birth of Economics: The Thought of Martín de Azpilcueta." *Journal of Markets & Morality*, Vol. 4., no. 1 (Spring 2001), footnote 1, and pp 17.

ethics.⁶⁴ In his lecture, *The Good Life and the Good Economy*, Phelps recognizes the economy must seek an ultimate end, a goal, guided also by Aristotelian ethics.⁶⁵ Those opposing this position subscribe to a view of ethics as arbitrarily, subjectively, perhaps socially constructed. However, Pesch's view of ethics, and theory in general, is shaped by neo-scholastic philosophy. The revival of this worldview is dedicated the theories of Thomas Aquinas, under which a societal ideal exists and can be ascertained through man's reason. Because of this, Pesch rejects the Liberalism of the market expressed in individualism, where the ethics of outcome are irrelevant so long as there is a net benefit.

In order to understand the worldviews expressed in Catholic Social Teaching and to reconcile them with economics, it is important to keep in mind this philosophical ground from which these writings and traditions grow. Furthermore, audience and objectives of the pope's writings to understand and maintain proper order. *Quadragesimo Anno*, was written for the fortieth anniversary of the first social encyclical *Rerum Nevarum*, or in English, *On the Condition of Human Labor*. Although these works are meant to address followers of the Catholic Church, Pope Pius XI insists that the theories and urgings of his predecessor, Pope Leo XIII, have taken root and disseminated among Catholics and non-Catholics alike.

⁶⁴ Sachs, Jeffrey. "Restoring Virtue Ethics in the Quest for Happiness." *World Happiness Report*, 2013: 81-98.

⁶⁵ Phelps, Edmund S. *The Good Life and the Good Economy: The Humanist Perspective of Aristotle, the Pragmatists and Vitalists; And the Economic Justice of John Rawls*. Lecture in the Annual Series "Aristotle and the Moderns" Low Library, Columbia University, New York, 6:30pm, Wednesday October 3rd, 2007.

Catholic Social Teaching perceives four incongruences with Socialism. In his encyclical *Quod Apostolici Muneris*, Pope Leo XIII devoted the entirety of his letter to pillorying it. He finds Socialism threatens the institutions of marriage and family, subjects man to materialism, undermines man's right to property, and of limits man's happiness by confining it solely to the present. Pesch, and by extension the Roman Catholic Popes, claims that Socialism inherently violates man's natural right to private ownership, and free will. Equality of outcomes as appropriated by the Socialist State requires an obsequious humankind. From a different view of equality, Leo XIII maintains that men are equal in dignity and bound to the same moral law. While Socialism denounces any form of distinction between men or unequal possession of power, the Church claims the position of leadership is conferred. Paradoxically, the Catholic Church sees leadership and authority not as power, but as responsibility and service. The Church employs Christ's words as a model for action, "for even the Son of Man did not come to be served, but to serve."⁶⁶ In the eyes of the Catholic Church, the State is a legitimate authority that must be present for any well-functioning society and must serve the people.

However, Catholic Social Teaching and Socialism hold some core ideals in common and Pius XI acknowledged that Socialism contains some truths, as he believed all errors do.⁶⁷ Unlike Liberalism, the social teaching encourages

⁶⁶ Mk 10:45, New American Bible

⁶⁷ Pope Pius XI, *Quadragesimo Anno*, The Holy See, May 15, 1931, http://w2.vatican.va/content/pius-xi/en/encyclicals/documents/hf_p-xi_enc_19310515_quadragesimo-anno.html, (accessed December 30, 2014), paragraph 120.

“reasonable regulation”⁶⁸ to ensure the weakest of society are not denied access to well-being. The church sees absolute individualism as a threat to man’s social nature and extreme socio-economic inequality as a failure of atomized and unfettered profit motive. Because the Church teaches a need for State regulation in some cases, she has been labeled as a quasi-socialist entity meriting distrust.

Ludwig von Mises and fellow advocates of economic liberalism are critical of Solidarism ideology and theory. Von Mises in fact named it “pseudo-Socialism,” whereby the Church rather than the State dictates control of individuals’ lives. In his work entitled *Socialism: An Economic and Sociological Analysis*, he is critical of Heinrich Pesch and theorists who maintain that the means of production must be confined to private ownership while the methods and ends of production must be subordinate to “justice,” “ethics,” or a “higher moral code.” He also postulates that ancient Christianity, as modeled by Christ, vastly differs from the scholastic worldview held by modern Catholic Christians. According to his claims, Jesus Christ, the man, was not interested in social justice or morals applying to earthly life.⁶⁹ Instead, he paints Christ as a debaucherous prophet and claims he more closely resembles a Bolshevik in his indifference to social order and willingness to destroy everything because it will soon be rebuilt by the Father.⁷⁰ However, this is a misplaced parallel, Christ did not teach an indifference to earthly moral law.

⁶⁸ *Catechism of the Catholic Church*. 2nd Edition. New York, New York: An Image Book, 1997. nos. 2423-2425.

⁶⁹ Von Mises, Ludwig. *Socialism: An Economic and Sociological Analysis*. (Indianapolis, Liberty Fund Inc., 1981) Part II, Section II, Chapter 16 paragraph II.16.9

⁷⁰ Von Mises, Ludwig. *Socialism: An Economic and Sociological Analysis*. (Indianapolis, Liberty Fund Inc., 1981) Part II, Section II, Chapter 16 paragraph IV.29.14

Contrarily he said, "Do not think that I came to abolish the Law or the Prophets; I did not come to abolish but to fulfill."⁷¹ The beatitudes that Christ discussed outlined virtue ethics for individuals to emulate.

Ultimately, Catholic Social Teaching's philosophical traditions are incongruent with Socialist ideals. Socialism systematically infringes upon individual rights to private property, association, and expression of religion. Both worldviews commit themselves to the equality of man yet in explicitly different manifestations. Catholic Social Teaching attests to equality in dignity, but Socialism seeks equality in outcome.

⁷¹ Mt 5:17, New American Bible

Section 7: Distributism and Catholic Social Teaching

Although Socialism and Capitalism are the most familiar economic systems, it is increasingly difficult to identify a modern society that adheres to either system in its pure form. As the preceding discussion illustrates, throughout Catholic Social Teaching the popes lauded a mixed economic system; one that incorporates elements of Capitalism such as private property, and of Socialism such as regulation and social responsibility. Distributism, a more peripheral economic system, is particularly germane to an analysis involving Catholic Social Teaching for a number of reasons. Firstly, Leo XIII's and Pius XI's encyclicals almost entirely inspired the theories that sparked the system's beginnings and the most prominent founders and adherents were and continue to be influenced by Catholic doctrine. Although the Catholic Church never has, and likely never will, explicitly endorsed one economic system, Distributists took the principles of Solidarity, Subsidiarity, and Stewardship that the Popes discussed and attempted to flesh out an economic system based on these principles. The question remains how these principles are executed in reality.

The forefathers of Distributist thought were G.K Chesterton and Hilaire Belloc, both prominent writers in Britain in the early twentieth century. The two men were contemporaries and Belloc was largely responsible for Chesterton's conversion to Catholicism. They were born in the 1870s and were two of the most prolific lay authors responsible for disseminating Catholic doctrine in the twentieth century. Chesterton, born in London, England, was acclaimed for his discourse on theology, philosophy, theatre, poetry, and apologetics. His social criticisms addressed a host of issues, but his credence on feminism, family organization, and

economic production are particularly important for understanding the relationship between the Catholic ideology, economics, and well-being. Leo XIII's encyclical, *Rerum Novarum*, inspired his efforts to theorize a system of economics that achieved a more balanced distribution of resources and put Catholic Social Teaching's ideals into practice. Belloc, a Frenchman by birth although he lived primarily in Britain, produced over one hundred and fifty-three works in his lifetime. He expounded upon the system that Chesterton called "Distributism" and therefore, together the two are credited with substantiating a different view of economic life.

However the paramount economic figure associated with Distributism is the German economist Ernst Friedrich Schumacher. His work *Small is Beautiful: A Study of Economics as if People Mattered*, published in 1973, shared concerns with present ecological and humanistic branches of economics.⁷² He, like Chesterton, converted to Catholicism late in life after realizing many of his economic theories resonated with Catholicism's Social Teaching. Writing in the late twentieth century brought an entirely different set of concerns to his awareness. Since Chesterton and Belloc wrote at the end of the nineteenth and beginning of the twentieth century, they were more concerned with labor conditions and wages involving Solidarity. However, Schumacher was increasingly preoccupied by environmental concerns such as fuel consumption and sustainability this is not surprising since he was writing in a period after the post-war productive boom. Thus, the ideals of Stewardship and Subsidiarity are present in his work. He was also influenced by

⁷² E.F. Schumacher, *Small is Beautiful: a study of economics as if people mattered* (London: Blond & Briggs Ltd. , 1973).

travels to India and was thus skeptical of materialism. He advocated for localized, cooperative economics, minimizing environmental strain, and building peaceful communities thus extending Distributism's reach into the twentieth and twenty-first centuries.

As the name suggests, Distributism describes an economic system that presupposes abundant distribution of private property and the means of production in a society. This condition, theorists avow, enables individuals to avoid obsequious dependence on the State or a single or small group of investors. Not surprisingly, this implies that the theories highlight the importance of free-will and autonomy which are inherent aspects of Catholic-Christian ideology. Catholicism regards man's free-will as an essential aspect of his nature, calling it "the power, rooted in reason and will, to perform deliberate actions on one's own responsibility."⁷³ Notably, this definition distinguishes "free-will" from "license" although the two are at times incorrectly equated. License is the freedom to act how one wants. Yet the Catholic Church's understanding of free-will is bounded by the final clause, responsibility. The descriptor "catholic," meaning universal, illustrates the belief in humanity's ubiquity and fraternity which is seen as an impetus for social responsibility. Seeing the world as "one body," necessarily leads to the principle of Solidarity. The "endowment" or entrusting of creation requires Stewardship. Finally, personal accountability and reasoning inspires Subsidiarity. Taken together, these three are expressed in the Distributist system.

⁷³ *Catechism of the Catholic Church*. (1997). 2nd Edition. New York, New York: An Image Book. section 1731.

Firstly, Solidarity underscores the importance of equal access to the means of production, subsistence wage, and man's right to associate. Catholic Social Teaching proclaims "all are responsible for all."⁷⁴ This implies that inequality and paltry subsistence does not simply concern the impoverished, but rather each person. Distributist theorists commonly accuse capitalist structure of propagating a disordered concentration of wealth. Therefore, remuneration to labor is commonly an issue about which capitalists and distributists dissent.

Distributists argue that the market does not properly determine wage because the structure of employment is not subject to the pure competition in theoretical models. Instead, they propose that the capitalist, here meaning the investor and owner of the means of production, holds greater bargaining power than the labor he hires, permitting him to hold wages below equilibrium. In a perfectly competitive market, this binding price ceiling would cause a labor supply shortage. However, human labor is constrained by the urgency of income in order to survive. The concept of a "just wage" is discussed at length in Catholic Social Teaching encyclicals and mandates two criterion: 1) the wage must be a living wage, one that is sufficient to sustain an economical worker⁷⁵ and 2) "Every effort must

⁷⁴ Pope John Paul II, «Sollicitudo Rei Socialis,» *The Holy See*, December 30, 1981. http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_30121987_sollicitudo-rei-socialis.html (accessed January 20, 2015) section 38.

⁷⁵ Pope Leo XIII, *Rerum Novarum*. The Holy See, May 15, 1891, <http://www.usccb.org/beliefs-and-teachings/what-we-believe/catholic-social-teaching/foundational-documents.cfm> (accessed March 26, 2014). (Accessed October 31, 2014) section 63.

therefore be made that fathers of families receive a wage sufficient to meet adequately ordinary domestic needs."⁷⁶

What Distributists ideology rejects is corporate ownership by which authority is removed from the working agents and can be bought and sold without laborers influence or consent. Robert Dahl, in his *Preface to Economic Democracy*, challenges the notion that equality inherently threatens liberty. Instead, he argues democracy extended to the economic sphere and the workplace brings about equality without harming liberty. Dahl, Phelps, and John Paul II held similar reservations about applying one overarching “system” to meet a society’s needs. Instead, they recognize cultural idiosyncrasies require different political institutions and policies. Phelps argues Aristolean ethic and a desire for self-expression must accompany economic liberty to accomplish a “good economy;” that liberty alone does not suffice.⁸¹ Further, Dahl and Phelps are similarly critical of “corporatism.” Dahl claims that America unquestioningly applied its understanding of property rights from an agrarian economy to a newly industrialized economy extending ownership of land to stocks and decisions in enterprise.⁸²

In remedy, Distributism views equal access to the means of production through private property as well as cooperative association as two just alternative means to achieving this “daylight” about which Keynes speaks. Under Distributist

⁷⁶ Pope Pius XI, *Quadragesimo Anno*. The Holy See, May 15, 1931, http://w2.vatican.va/content/pius-xi/en/encyclicals/documents/hf_p-xi_enc_19310515_quadragesimo-anno.html (accessed December 30, 2014) section 36.

⁸¹ Edmund S. Phelps, “The Good Life and the Good Economy: The Humanist Perspective of Aristotle, the Pragmatists, and the Vitalists; and the Economic Justice of John Rawls,” in *Lecture in the Annual Series “Aristotle and the Moderns”* (New York: Low Library Columbia University, October 3, 2007).

⁸² Robert Dahl, *An Preface to Economic Democracy* (Berkeley: University of California Press, 1985).

assumptions, it is not enough for man to have his needs met, but he must also have the liberty to pursue his necessary ends and express his own creative impulses. Private ownership not only provides the opportunity to commute inequality, but also to strengthen the association between man and his work, and to foster labor autonomy. As John Paul II stated in *Laborem Exercens*, “when man works, using all the means of production, he also wishes the fruit of this work to be used by himself and others, and he wishes to be able to take part in the very work process as a sharer in responsibility and creativity at the workbench to which he applies himself.”⁷⁷ Thus Catholic Social Teaching views stultifying and menial processes as psychologically harmful for man.

This idea is also evident in Schumacher’s chapter “Buddhist Economics” in his work *Small is Beautiful* which juxtaposed Buddhist economics with the materialism he perceived in the West. As Schumacher saw it, Western economics approaches labor from two vistas: the employer and the employee. The former sees labor as an input and cost of production. Thus, s/he seemingly aims to procure as much labor, at as little cost, and would thus profit from mechanization, or altogether elimination of waged workers. The employee however, is conditioned to view labor as a “work-leisure trade off” by which wages are remuneration for sacrificing leisure. This leads to nontrivial conclusions about the production process. Division of labor seeks to simplify tasks to the greatest degree possible in hopes of either

⁷⁷ John Paul II, "Encyclical Letter *Laborem Exercens*," *The Holy See*, September 14, 1981, http://www.vatican.va/holy_father/john_paul_ii/encyclicals/documents/hf_jp-ii_enc_14091981_laborem-exercens_en.html (accessed November 2, 2014).

turning production over to mechanization or easing the work of man in favor of leisure.

However, in this analysis, the Buddhist economic view regarding work is strikingly similar to the thoughts found in Catholic Social Teaching. Buddhist economics sees work and leisure as mutually inseparable and inherent aspects of man's existence. As *Laborem Exercens* discusses, work is for man and not man for work, so too does the Buddhist view work as a means to develop and nourish the personality.⁷⁸ From these views, a focus on income and production is insufficient indication of the well-being of the economy. Furthermore, unemployment involves greater implicit costs than forgone income and therefore the Buddhist economic approach prioritizes full employment over interest rate or price stability. Work has the ability to socially engage individuals and herein lies the Church's defense for man's right form associations.

John Paul II, in *Laborem Exercens*, speaks at length on the Church's view of labor unions. He claims they are not simply a manifestation of "class-struggle." Instead, they too must be subjected to the principle of Solidarity so that each strives to achieve just wages for the worker, but holds in conscience how their actions affect the whole society. Based on this principle, John Paul II lauds unions for their ability to assemble workers of similar skills but reprobates strikes employed solely

⁷⁸ Schumacher, E.F. *Small is Beautiful: a study of economics as if people mattered*. (London: Blond & Briggs Ltd., 1973) 59.

for political motives and attainment of power.⁷⁹ On the other hand, Distributists, like Pius XI, advocate guilds as a more effective method of association. Rather than focusing on labor's bargaining power through unionization, guilds foster shared ownership and educational interchange. Through this, members benefit from mutual exchange and share risk while maintaining ownership and autonomy in labor.

Because of its association with medieval guilds and scholastic traditions, Distributism may appear to be an antiquated, agrarian system that cannot be practically or viably enacted in a modern world. However, the Mondragon Corporation in Spain, the first cooperative corporation founded in the country in 1956 remains a standing example of Distributist ideals in practice. The Mondragon Corporation is the largest group of co-operative companies in the world, focused on labor owned initiatives and humanistic values. The core vision of the corporation is "humanity at work." According to Mondragon, humanistic and cooperative labor is "ensuring that sight is not lost of those demands that guarantee the company's financial success, but without overlooking the fact that within this, human values must prevail over purely economic and material ones."⁸⁰

Subsidiarity is the principle in Catholic Social Teaching and Distributism that mandates that social organization and authority should be executed at the lowest

⁷⁹ Pope John Paul II, *Laborem Exercens*, The Holy See, September 14, 1981, http://www.vatican.va/holy_father/john_paul_ii/encyclicals/documents/hf_jp-ii_enc_14091981_laborem-exercens_en.html (November 2, 2014) section 20.

⁸⁰ Fernández, José Ramón. "Mondragon: 1956-2014." *Mondragon*. February 2, 2015. <http://www.mondragon-corporation.com/wp-content/themes/mondragon/docs/History-MONDRAGON-1956-2014.pdf>

level possible before seeking higher level intervention. Schumacher asserted that society and the discipline of economics has exaggerated the efficiency of scale and adopted an “idolatry of giantism.⁸¹” And although his work is entitled, *Small is Beautiful* he cautioned against idolatry of smallness. Instead, he proposed that economics must recognize the duality in the question of size. Some operations, he proposed are better left to small scale but in every situation, one must employ discretion when seeking the proper structure.

Catholic Social Teaching proclaims that those with most proximity to any function have the most information about the reality of their issue and therefore should be given the first opportunity to govern themselves. Thus, the authority of the family is one item with which the Church is concerned. The Church’s preoccupation with the poor and “necessary limits to the State’s intervention and on its instrumental character, inasmuch as the individual, the family and society are prior to the State, and inasmuch as the State exists in order to protect their rights and not stifle them.”⁸² Once again, the right is counterbalanced and checked by responsibility. Furthermore, because the Church sees the family as the first school into which all humans are born, it seeks to protect the authority of decisions.

Finally, the principle Catholic Social Teaching calls “Stewardship” reflects environmental economic concerns. Schumacher asserts that one of the most threatening problems in economics is the belief that the problem of production has

⁸¹ Schumacher, E.F. *Small is Beautiful: a study of economics as if people mattered*. (London: Blond & Briggs Ltd., 1973) 70.

⁸² John Paul II, "Encyclical Letter Centesimus Annus," *Vatican The Holy See*, May 1, 1991, http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_01051991_centesimus-annus.html (accessed December 12, 2014) section 11.

been solved, or that thanks to industry and growth, the world is simply approaching a state of “education for leisure” in wealthy countries and “technology transfer” in developing ones.⁸³ Land, nature, and non-renewable resources are capital goods which humans did not create, but are no less important. When treating these resources as income goods, solely for consumption, there is no weight given to their maintenance or replenishment. Because of this fault in logic, Schumacher advocated sustainability and an ideological shift in economics that quells growth obsession. As he saw it, unbounded growth, while possible in economic models, is logically impossible because of the permanence of nature and matter⁸⁴.

Therefore, increased consumption, by itself, is insufficient for improving human well-being. How and what humans produce is not trivial, and natural and human resources must be conserved and maintained in order to reach sustainable long run goals. These concepts of course, are not confined to Schumacher and Distributists. Instead, Schumacher’s ideas are sympathetic with ecological economics and the present commitment to sustainable growth. Recently, nations have turned to other methods of measuring the economy beyond growth. These efforts are evident in Bhutan, the small Buddhist state in South Asia, where the central government has developed an index, Gross National Happiness, which replaces Gross Domestic Product as a metric for the economy’s progress.

Section 8: Conclusion

⁸³ E.F. Schumacher, *Small is Beautiful: a study of economics as if people mattered* (London: Blond & Briggs Ltd. , 1973)16.

⁹⁰Ibid., 15-17.

The ethical guidelines of Catholic Social Teaching are not merely religious mandates, but could contribute to a healthier, more sustainable economy and society. Although an economy guided by ethics may sacrifice growth, as measured in consumption or GDP, this does not necessarily engender lower quality of life. Furthermore, empirical evidence, as previously exhibited, corroborates the Buddhist and Catholic critique of materialism. The Catholic Church does not speak on economic issues and social conditions with the same authority reserved for religious doctrine. Yet, with society's well-being in mind engages in reasoned discourse and exchange with all academic disciplines. As John Paul II explained, Catholic Social Teaching, "enters into dialogue with the various disciplines concerned with man. It assimilates what these disciplines have to contribute, and helps them to open themselves to a broader horizon."⁸⁵

The renewed interest in a holistic and humanistic measure of the economy is evidence that individuals are recognizing that income cannot be the first pursuit in achieving life satisfaction. Behavioral economics acknowledges and addresses the limitations of homo economicus but the underlying philosophies that economists fail to address in their commitment to positive debate could be detrimental if they continue to foster opportunistic behaviors. Yet not only are sociological and psychological insights important in economics, but also the long tradition of ethics. The development of this discipline from Aristotle, to Aquinas, to Locke, and to present-day scholasticism in Catholic Social Teaching is just a glimpse of ethics in

⁸⁵ John Paul II, "Encyclical Letter Centesimus Annus," *Vatican The Holy See*, May 1, 1991, http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_01051991_centesimus-annus.html (accessed December 12, 2014) section 59.

economics. Other worldviews and faiths offer additional examples of ethics but they are beyond the scope of this work. Yet the focus remains, if ethics are cast aside as subjective and purely based on personal tastes and preferences, then the economic discipline abandons an entire element of life satisfaction.

Furthermore, happiness, or well-being, is not an elusive or chimerical concept that man must unceasingly chase. The study of positive ethics and positive psychology are not inimical to the study of positive economics. Instead, just as physics must simultaneously uphold chemistry and biology in its theories, economics must give heed to ethics and psychology in order to most fully describe and predict man's choices. Continued communication between disciplines is imperative for sustaining a full understanding of man's economic questions.

Informed philosophy and insight into the human person can help direct policy goals and keep humans the subject of the economy. However, each encyclical begins with a salutation to individuals, the audience the authors seek to instruct are not systems, institutions, or governments- but rather men and women in their everyday environment. In this way, it is clear that Catholic Social Teaching is intended to instruct and develop the individual's understanding of virtue. Although Capitalism, Socialism, and Distributism enable or inhibit the principles of Catholic Social Teaching in various degrees, the ultimate goal of the teaching is to instruct individuals. The popes' goal is not to construct an ideal economic and social structure, but rather to focus on developing the ethic of each person so as to form a fabric and foundation of a "good life" and a "good economy." Just as materialism and greed can direct an economy, so too can ethics and balance and direct it. If man is to

avoid pursuing the short term “false happiness” that John Locke acknowledges sometimes inhibits “true happiness,” then economics must return to a broader understanding of utility.

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