

## **‘The “Catholic” model of an economic market is one that services the common good’**



Behind the headlines, after the disastrous Brussels summit two weeks ago, were fundamental disagreements about economic theory between the British position and the rest. These differences can be traced back to theological disagreements between Catholics and Protestants at the time of the Reformation.

Free-market capitalism owes its origins to the assumptions of what has been called “Protestant individualism”. That tells us that all of us are alone in working out our salvation, and the Church is no more than an assembly of individuals each endowed with private judgement, each engaged in this lonely struggle.

Adam Smith, in the spirit of the Presbyterian scepticism of the Scottish Enlightenment, stated that when some individual engaged in business purely to make a profit for himself, he would, by the action of “an invisible hand”, provide a benefit to society. God, as it were, blessed this commercial stress on individual self-interest and turned it to society’s advantage.

However, when continental European politicians put back together the economy and industry of Europe after the Second World War, they turned not to Adam Smith and his free-market individualism for their guiding principles but to the more communitarian principles of Catholic Social Teaching, as summed up by Leo XIII and Pius XI.

Christian Democrats and Social Democrats made common cause in assembling the founding ideas of the European Union, not based on a laissez-faire economic system as practised by the “Anglo-Saxons” – Britain and America – but on a model called the social market economy.

The “Catholic” model of salvation as an activity in which the community engages was reflected in a

collective approach to economic enterprise, which made it natural, for instance, to have trade union representatives on the boards of major companies. It is interesting that the Anglo-American view, that unions and managements are intrinsically too much at odds to cooperate, is actually closer to a Marxist position.

The implicitly “Catholic” model of an economic market is one that is engineered to the service of the common good by common effort, not just geared exclusively towards profit and not just relying on an “invisible hand” to provide general benefits.

What surfaced so vehemently at Brussels that fateful Friday is the fact that many on the European continent blame the Anglo-Saxon free-market economies, and especially their hubs in Wall Street and the City of London, for the breakdown of the global banking system in 2008. And they increasingly blame them for the series of sovereign debt crises that have driven one European Union country after another to seek bailouts, backed by drastic austerity programmes. They see, or think they see, Anglo-American financiers in London and New York gambling huge stakes on European economic failure, for the sake of profit at any cost. They see, or think they see, the British Government unwilling or unable to do anything about it.

They see a dangerous flaw, in other words, in the neo-liberal economic model (sometimes called neo-classical) that is still the dominant economic theory in the Englishspeaking world. The obvious failures of that theory in and after 2008 have not yet shifted the neo-liberal near-consensus among academic economists to something else, even though almost everyone admits that the neo-liberal solution to sovereign debt – large cuts in public spending – cannot generate the growth that is required to pay off the debt. It just generates more debt – as the British themselves are discovering.

It is surely understandable, therefore, that the leaders of the EU are desperately keen to try to restore political control over market forces that have apparently run amok, damaging the common good and threatening the whole European project. They are bound to clash, furthermore, with a British Government that is so instinctively neo-liberal that it regards the defence of the City of London’s free-market environment – that same environment that not long ago did huge damage to the national economy – as a non-negotiable national asset. But the flow of history is on the European side; neo-liberalism cannot deliver, and the self-interested individualism that it depends upon and encourages is fast becoming a destructive social disease. Somewhere down the track there is a train crash waiting to happen. After that, I’m afraid, it’s anybody’s guess.

Clifford Longley - The Tablet