What Does *Centesimus Annus* Really Teach?

by Thomas Storck

The title of this article, “What Does *Centesimus Annus* Really Teach?,” seems to imply that there might be some dispute about the teaching of *Centesimus Annus*, the latest of the three social encyclicals written by our Holy Father, Pope John Paul II. And this is correct. For when *Centesimus* was issued in 1991 it generated an unusual amount of discussion. In fact, certain commentators called it a radical departure in the hundred year old tradition of modern Catholic social teaching, the tradition that began in 1891 with Pope Leo XIII’s encyclical *Rerum Novarum*. To see what I mean, let us take a look at what a few of these commentators said.

Peter L. Berger wrote:

For the first time in the modern history of Catholic social doctrine, there is here an emphatic and elaborated approval of the market economy as the optimal economic arrangement in today’s world.¹

And Kenneth Craycraft opined:

For the first time ever, a pope has explicitly endorsed the free market as the “victorious social system” in the world, and as the type of economy that ought to be proposed in all places, especially the Third World.²

While Michael Novak stated:

Thus Pope John Paul II has brought economic liberty . . . into Catholic social teaching . . . .³

And finally, Fr. Robert Sirico:

*Centesimus Annus* represents the beginnings of a shift away from the static zero-sum economic world view that led the Church to be suspicious of capitalism and to argue for wealth redistribution as the only moral response to poverty.⁴ Clearly these authors see *Centesimus* as a sort of sea-change in Catholic social teaching. But leaving aside the question of whether the Catholic notion of development of doctrine would even allow for such a drastic change in teaching, I do not think that the text of *Centesimus Annus* supports these blanket statements. I am going to argue two things in this article: 1) that the interpretation of *Centesimus* is particularly difficult, but that 2) the teaching, taken as a whole, is in line with the doctrine of Leo XIII, Pius XI, Pius XII, Paul VI and the other popes whom Catholic proponents of a free market are not usually too fond of.

Let me begin with my first assertion: *Centesimus* is difficult to understand. I would argue that this is so for two reasons: First, *Centesimus* sometimes seems to be at variance with itself. One writer asks if *Centesimus* is “an encyclical in conflict with itself” and another characterizes it as “schizoid.”⁵ It is not hard to find passages in *Centesimus* that seem to contradict each other. But clearly, since John Paul is no fool, we must assume that he knew what he was doing when he put those passages in, and we must therefore seek to un-
understand the teaching of Centesimus Annus on a more fundamental or general level. And I believe that this can be done.

The second reason why I think that Centesimus is difficult to interpret is because, unlike most encyclicals, John Paul has explicitly stated that not everything in it is to be considered as the teaching of the Church’s Magisterium. In section 3 we read:

The present encyclical seeks to show the fruitfulness of the principles enunciated by Leo XIII, which belong to the Church’s doctrinal patrimony and, as such, involve the exercise of her teaching authority. But pastoral solicitude also prompts me to propose an analysis of some events of recent history . . . . However, such an analysis is not meant to pass definitive judgments, since this does not fall per se within the Magisterium’s specific domain.

Unfortunately, the Holy Father never says which passages of the encyclical fall within the latter category, that is, which are part of the “analysis of some events of recent history” and thus not part of the teaching of the Magisterium. But I do not think this is fatal to our efforts to understand Centesimus, as long as we employ a broad brush approach to our interpretation. So, for both of the reasons I have mentioned, it would be a mistake to press any one passage too far, especially a passage taken out of context or a passage which seems to be in disagreement with prior papal teaching. We must try to understand the encyclical’s teaching as a whole.

My second assertion is that the teaching of this encyclical is in line with prior papal teaching on the social order. And indeed, it is easy to find parallels to most of the contents of Centesimus in earlier papal teaching, often it is true, with a different emphasis but with much the same meaning. But instead of showing how most of the allegedly revolutionary teachings of Centesimus are in fact quite in agreement with the earlier doctrine, I want to proceed in a different way and concentrate on what appears to me the heart of the matter, what we might call the logic or essence of Catholic social teaching, a logic that is fully confirmed by Centesimus, and which squarely contradicts the logic of the free market.

The quotes that I gave above indicate the widespread belief that John Paul has a different attitude toward a free market economic system from what his predecessors had. In itself, of course, this ought to set us wondering, for if John Paul can change what previous popes taught about such an important matter, than what is to prevent popes in the future from changing what John Paul teaches? But the important point is to look at what I called the logic of the free market and see how it compares with the logic of Catholic social doctrine, including the doctrine of Centesimus Annus. The logic of the free market I think one could state somewhat like this:

The basic and most important economic factors in a society, factors such as prices, wages, rates of interest, exchange rates, etc. should be set simply by the give and take of market forces, with ideally no interference by the government or any other power. If it is necessary that occasionally government should intervene in these exchanges, this should be as little and for as short a time as possible. Organizations such as labor unions, in this view, also distort the market’s natural processes, by artificially inflating the price of labor. If the market is allowed to set these various rates, it is held that this will work ultimately for the prosperity of society. There is here a basic trust in the working of market forces and the feeling that in the economic sector, this is the best and safest way of regulating things. In this view, then, it would always, or almost always, be oxymoronic to speak of guiding or orienting the market toward the common good, since by definition, the market always tends toward the good of the whole.

To this point of view the Magisterium of the Catholic Church is definitely opposed. Before looking at the teaching of Centesimus Annus, I will discuss a few of the more important instances of this in the earlier papal teaching in order to demonstrate this consistent and long-standing opposition. In Rerum Novarum Leo XIII stated that a man’s work has to be regarded from two points of view, personal and necessary. Insofar as his work is personal one has the right to work for any wages or for none at all (e.g., as a volunteer), but insofar as one’s work is necessary, that is, insofar as one depends on it for his livelihood, “each one has a right to procure what is required in order to live” (sect. 34). And then he makes a statement which strikes at the very heart of the free market position: “. . . there is a dictate of nature more imperious and more ancient than any bargain between man and man, that the remuneration must be enough to support the wage-earner in reasonable and frugal comfort” (sect. 34). And he goes on to say that if a worker is forced to accept less than a living wage, “he is the victim of force and injustice” (ibid.). These assertions fly in the face of the idea, upheld by proponents of a free market, that market forces are the best way to arrive at wage justice. But Leo XIII thought otherwise and Leo’s teaching has
And in this same encyclical Pius XI states that the economic proposals of the moderate socialists of his day (1931) “often strikingly approach the just demands of Christian social reformers” (sect. 113).

So it is obvious that the tradition of papal social teaching from Leo XIII on did not accept the logic of the free market. Our question is: Does Centesimus Annus introduce new teaching here, does it (in the words of Craycraft) “explicitly endorse the free market as the ‘victorious social system’ in the world, and as the type of economy that ought to be proposed in all places”? I think we will see that it does not.

In the first place, Centesimus Annus upholds the doctrine of the just wage taught by Leo XIII, Pius XI, Pius XII and other popes:

\[
\ldots \text{society and the State must ensure wage levels adequate for the maintenance of the worker and his family, including a certain amount for savings} \quad (\text{sect. 15}).
\]

This in itself is a clear rejection of free market principles and effectively ought to end the argument. But Centesimus has much more to say about the market. Indeed, it devotes more space to a discussion of the market mechanism than any previous encyclical. Does it see the market as essentially self-regulating or as something that needs to be subjected to intelligent control, a control that goes beyond market forces? By looking at a series of quotes from the encyclical, we will be able to answer this question.

After discussing a just society John Paul II states:

Such a society is not directed against the market, but demands that the market be appropriately controlled by the forces of society and by the State, so as to guarantee that the basic needs of the whole of society are satisfied (sect. 35).

Then a little later, the Holy Father writes:

It is the task of the State to provide for the defense and preservation of common goods such as the natural and human environments, which cannot be safeguarded simply by market forces (sect. 40).

And in the same section:

Here we find a new limit on the market: there are collective and qualitative needs which cannot be satisfied by market mechanisms. There are important human needs which escape its logic. There are goods which by their very nature cannot and must not be bought or sold. Certainly the mechanisms of the market offer secure advantages \ldots . Nevertheless, these mechanisms carry the risk of an “idolatry” of the market, an idolatry which ig-
nores the existence of goods which by their nature are not and cannot be mere commodities (sect. 40).

I think that these three quotes make it very clear that John Paul does not accept the basic premise or logic of the free market, namely, that the market is essentially a self-regulating system that does not need human intervention to correct its outcomes. On the contrary, he is clear that the market needs to be controlled, that the market cannot be trusted to safeguard certain necessary goods.

Next let us look at one of the most important passages in the encyclical, and one of the handful of passages that those who interpret Centesimus as an endorsement of the free market rely on:

Returning now to the initial question: can it perhaps be said that, after the failure of Communism, capitalism is the victorious social system, and that capitalism should be the goal of the countries now making efforts to rebuild their economy and society? Is this the model which ought to be proposed to the countries of the Third World which are searching for the paths to true economic and civil progress?

The answer is obviously complex. If by “capitalism” is meant an economic system which recognizes the fundamental and positive role of business, the market, private property and the resulting responsibility for the means of production, as well as free human creativity in the economic sector, then the answer is certainly in the affirmative, even though it would perhaps be more appropriate to speak of a “business economy,” “market economy” or simply “free economy.” But if by “capitalism” is meant a system in which freedom in the economic sector is not circumscribed within a strong juridical framework which places it at the service of human freedom in its totality and sees it as a particular aspect of that freedom, the core of which is ethical and religious, then the reply is certainly negative (sect. 42).

What I think should be noted about this passage is that whatever name is given to a just social system, nevertheless not its name but its content is what is important, and that here again the Pope calls for a “strong juridical framework,” that is, a legal framework, to orient the economy toward the total good of mankind. Thus this passage cannot be seen as an endorsement of the free market, and it is an endorsement of capitalism only if one pays close attention to what the Pope means by this term. Moreover, in the very next paragraph, John Paul, in commenting on the “multitudes . . . still living in conditions of great material and moral poverty,” writes:

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there is a risk that a radical capitalistic ideology could spread which refuses even to consider these problems, in the a priori belief that any attempt to solve them is doomed to failure, and which blindly entrusts their solution to the free development of market forces (sect. 42).

John Paul II also includes in Centesimus comments on the actual existing capitalist economies of the Western world. These comments are of great importance for our effort to understand the encyclical's teaching on the free market:

The Western countries . . . run the risk of seeing [the collapse of Communism] as a one-sided victory of their own economic system, and thereby failing to make necessary corrections in that system (sect. 56).

And in his discussion of various responses of Western nations after World War II to communism, the Holy Father writes:

Another kind of response, practical in nature, is represented by the affluent society or the consumer society. It seeks to defeat Marxism on the level of pure materialism by showing how a free-market society can achieve a greater satisfaction of material human needs than Communism, while equally excluding spiritual values. In reality, while on the one hand it is true that this social model shows the failure of Marxism to contribute to a humane and better society, on the other hand, insofar as it denies an autonomous existence and value to morality, law, culture and religion, it agrees with Marxism, in the sense that it totally reduces man to the sphere of economics and the satisfaction of material needs (sect. 19).

This is what John Paul II thinks of the operation of our economy in practice!

In order to be fair with Centesimus and with my readers, I will now discuss the principal passages in the encyclical which some have held to constitute an embrace of the free market. We have already seen one of these passages. Let us look briefly at the chief remaining ones and see to what extent they demand or allow such an interpretation:

It would appear that, on the level of individual nations and of international relations, the free market is the most efficient instrument for utilizing resources and effectively responding to needs. But this is true only for those needs which are "solvent," insofar as they are endowed with purchasing power, and for those resources which are "marketable," insofar as they are capable of obtaining a satisfactory price. But there are many human needs which find no place on the market. It is a strict duty of justice and truth not to allow fundamental human needs to remain unsatisfied, and not to allow those burdened by such needs to perish (sect. 34).

One can see that what appears to be an unqualified acceptance of the free market is immediately qualified and limited.

The next passage we turn our attention to is as follows: "The modern business economy has positive aspects. Its basis is human freedom exercised in the economic field, just as it is exercised in many other fields" (sect. 32). Few would deny these words of the Sovereign Pontiff, but they are hardly revolutionary in the context of Catholic social teaching. Modern business economies do have positive aspects, but to say this hardly constitutes an embrace of free market economics.

A little later, after a discussion of attacks on family life and on children, John Paul says:

These criticisms are directed not so much against an economic system as against an ethical and cultural system. The economy in fact is only one aspect and one dimension of the whole of human activity. If economic life is absolutized, if the production and consumption of goods become the center of social life and society's only value, not subject to any other value, the reason is to be found not so much in the economic system itself as in the fact that the entire socio-cultural system, by ignoring the ethical and religious dimension, has been weakened, and ends by limiting itself to the production of goods and services alone (sect. 39).

And a bit later he states:

The Church respects the legitimate autonomy of the democratic order . . . These general observations also apply to the role of the State in the economic sector. Economic activity, especially the activity of a market economy, cannot be conducted in an institutional, juridical or political vacuum. On the contrary, it presupposes sure guarantees of individual freedom and private property, as well as a stable currency and efficient public services. Hence the principal task of the State is to guarantee this security, so that those who work and produce can enjoy the fruits of their labors and thus feel encouraged to work efficiently and honestly (sect. 47 and 48).

These last two passages are probably the most difficult to harmonize in an entirely satisfactory way with the predominant message of Centesimus. But as I
said earlier, we must take the encyclical as a whole, looking at its overall teaching and not pressing too far any one part, especially if it seems to contradict other parts of the encyclical or previous papal doctrine.

One of the most important yet difficult to understand themes in *Centesimus Annus* is freedom. To us Americans, freedom is usually understood as absence of restraint, letting everyone do whatever he wants. But this is not what John Paul means by freedom. In *Centesimus* he writes: "... freedom attains its full development only by accepting the truth" (sect. 46). Unlike the notion of freedom as being able to do whatever one wants, John Paul II constantly links freedom with truth. He says of religious freedom that it is "the right to live in the truth of one's faith and in conformity with one's transcendent dignity as a person" (sect. 47). In the long passage I already quoted about whether capitalism should be considered as the victorious social system (sect. 42), the Holy Father says that "freedom in the economic sector [must] be circumscribed within a strong juridical framework which places it at the service of human freedom in its totality ..." I think that this difficult concept in the thought of John Paul must be understood as meaning that whenever anything external to the human person, whether economic forces, totalitarian political regimes, or anything at all, distorts man, man's freedom is thereby distorted. It is not because man cannot do whatever he wants, but because his human nature is attacked that his true freedom is limited. But "human freedom in its totality" is not limited by government intervention into market processes, any more than the true freedom of automobile drivers is limited by stop signs and traffic lights.8

Another point that I think should always be borne in mind, is that life in communist Poland is the constant backdrop for this encyclical. John Paul alludes more than once to the breakdown in responsibility, the work ethic and basic public trust that communism caused,9 and so in calling for the creation of these things and criticizing communist economies, he is not calling for the free market as we understand it in the United States, but reacting against the heavy hand of communist central planning and bureaucracy.

John Paul clearly condemns the communist order, what he calls "real socialism." But in contrast to this, what kind of economic order is the Church promoting? Is the Church recommending any economic system? The following passage is relevant here:

The Church has no models to present; models that are real and truly effective can only arise within the framework of different historical situations, through the efforts of all those who responsibly confront concrete problems in all their social, economic, political and cultural aspects, as these interact with one another. For such a task the

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Church offers her social teaching as an indispensable and ideal orientation, a teaching which, as already mentioned, recognizes the positive value of the market and of enterprise, but which at the same time points out that these need to be oriented towards the common good (sect. 43).

This is an interesting passage. Some, looking it seems, at only the first clause of the first sentence, have claimed that the Church is basically saying that capitalism is the only game in town:

... with Centesimus Annus, Catholic social doctrine abandoned any quest for a 'third way' between or beyond capitalism and socialism.10

But I do not think that is what Centesimus Annus is saying here. Rather it is reacting to the efforts of some Catholics in the 1930s, and thereafter, following on Pius XI's encyclical Quadragesimo Anno, to sketch out on paper rather grandiose a priori models for third way economic systems which were neither socialist nor capitalist.11 What John Paul is saying, and indeed what Pius XI himself was saying, is that this is the wrong way to proceed. Models cannot be created a priori, they must arise “within the framework of different historical situations.” After all, in the Middle Ages, no philosopher or theologian sat down and sketched out an economic system based on the craft guilds. This quintessential Catholic approach to the economy arose from people struggling to apply Catholic moral principles to the actual contemporary economic situation.

Relevant to this also is the following neglected passage in Centesimus, which makes it clear that John Paul has not decided that the capitalist option is all there is: “We have seen that it is unacceptable to say that the defeat of so-called ‘Real Socialism’ leaves capitalism as the only model of economic organization” (sect. 35).12 In fact, if any existing economy receives praise in Centesimus Annus, it is West Germany’s “social market economy.”13

Thus I think that, taken as a whole, the numerous qualifications put on the functioning of the market by John Paul in Centesimus indicate clearly enough that he does not accept the logic of the free market. In this encyclical John Paul attempted to give guidance to the regnant capitalism of our time, much as Pius XI had sought to give friendly criticism and advice to Italy’s Fascist economy in Quadragesimo Anno. Catholic social teaching indeed is adapted to each age, but it is adapted from a core set of principles; principles which, because they are drawn from the nature of man and of society, are not changeable. The very different philosophical foundations that underlie free market economics and Catholic social teaching necessarily preclude the latter’s embrace of the former. So whatever the future may hold for our society, papal teaching on the economy will continue to flow from the same basic principles as animated Leo XIII, Pius XI and John Paul II, until, at the end of time, our Lord returns as our Judge and Savior.

Thomas Storck writes from Maryland. This article is based on a talk given at the Conference on Economic Justice and Charity held at Georgetown Visitation School in Washington, D.C., September 30, 2000, and sponsored by the Washington Catholic Forum.

End Notes

2 “Having and ‘Being’: John Paul II as Pastor” in ibid., p. 71.
3 “Tested by Our Own Ideals” in ibid., p. 139.
4 “Away From the Zero-Sum View” in ibid., p. 156.
5 Both from ibid., p. 107 and p. 120. The latter writer, Kenneth Minogue writes, “One critic has described the encyclical as ‘schizoid,’ and different passages certainly seem to advance opposing doctrines.”
6 Section references to Rerum Novarum and Quadragesimo Anno are to the Paulist Press versions, as published in Seven Great Encyclicals and elsewhere.
7 To show that I am not setting up a straw man here, let me quote from an article by Fr. Robert Sirico, “Catholicism’s Developing Social Teaching,” (originally published in The Freeman and available on the Internet site www.liberty.com/), in which, commenting on Leo XIII and Rerum Novarum, Fr. Sirico says, “It is apparent that he fails fully to grasp the manner in which wage rates affect the whole of the economy” and “It is unfortunate that Leo didn’t make the connection between the market wage and pricing system as the economically most efficient way to insure a living wage for workers” (p. 8).
8 Other passages dealing with freedom are in sections 36, 39, and 42.
9 See, e.g., sections 24, 41, 47 and 48.
11 For example, see the detailed plans for industry councils on pages 6 and 7 of Mary Lois Eberdt and Gerald J. Schnegg, Industrialism and the Popes (New York: P. J. Kennedy, 1953).
12 In the condensed version of Centesimus contained in A New Worldly Order (pp. 29-57) and which originally appeared in First Things (August-September 1991), this passage is distorted and the word “capitalism” is rendered by the phrase in brackets as “[the present operation of capitalism]” (p. 46).
13 Above I quoted John Paul’s criticism of what he calls “the affluent society or the consumer society” (sect. 19) as a response to Communism after World War II. But immediately before that passage he had spoken of what he termed “a positive effort to rebuild a democratic society inspired by social justice...” (sect. 19). He seems to be describing here West Germany’s post-World War II economic system.