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Capitalism and Catholicism: Comparing Democratic Capitalism and Social Market Economy in the Light of Catholic Social Teaching

KAPITALIZM I KATOLICYZM: PORÓWNANIE DEMOKRATYCZNEGO
KAPITALIZMU I SPOŁECZNEJ GOSPODARKI RYNKOWEJ
W ŚWIETLE KATOLICKIEJ NAUKI SPOŁECZNEJ

Streszczenie

Książka *The Spirit of Democratic Capitalism* z 1982 roku, autorstwa Michaela Novaka, jest współcześnie uznawana za kluczowe i niekwestionowane dzieło w dziedzinie etyki ekonomicznej. W oryginalnej koncepcji Novaka znajdujemy prezentację intelektualno-historycznych źródeł systemów kapitalistycznych, umiejscowionych w ramach określonych zasad duchowych i moralnych. Taka hermeneutyka umożliwia głębokie zrozumienie wzajemnych relacji między ekonomią, społeczeństwem, religią oraz polityką, a jej wyjątkowa zdolność do adaptacji katolickiej nauki społecznej przyczynia się do kreowania sprawiedliwych systemów gospodarczych. Analizując powiązania między demokracją a gospodarką rynkową, Novak skutecznie wyjaśnia rolę jednostki w odpowiedzi na społeczne i ekonomiczne wyzwania współczesnego świata. Z perspektywy niemieckiej, prace Novaka nabierają szczególnego znaczenia w kontekście niemieckiego modelu społecznej gospodarki rynkowej. Oba podejścia, choć zakorzenione w katolickiej nauce społecznej, wykazują różnice w swoich historycznych i kontekstualnych założeniach, co stwarza możliwość wzajemnego wzbogacania się i rozwoju.

Słowa kluczowe: demokratyczny kapitalizm, społeczna gospodarka rynkowa, katolicka nauka społeczna, etyka gospodarcza, system integralny

Introduction

“Our moral and cultural traditions have not kept pace with our economic possibilities. We try to match new demands with a spiritual life not designed for them. Democratic capitalism suffers from the underdevelopment of guidance for a spiritual life appropriate to its highly developed political and economic life.”¹ This is how Michael Novak formulated the need for an integral system in which the economic order is regulated by principles of moral and cultural ethics adapted to it. Although the Church’s Magisterium has been increasingly concerned with the challenges of economic ethics since the encyclical *Rerum Novarum* (1891), Novak saw the question of the relationship between economics and social ethics as an underdeveloped topic in the Christian tradition of thought.² In his renowned work, *The Spirit of Democratic Capitalism* (1982), he investigated the ethical, theological, and philosophical foundations of the American economic system and linked them to Catholic Social Teaching, thus coming closer to an integral approach to economic ethics that does justice to the Christian view of humanity. In the following, this concern will be continued by comparing Novak’s system with that of the German Social Market Economy, thus opening up a new reciprocal perspective.

The question to be investigated is therefore: *What are the similarities and differences between Democratic Capitalism according to Michael Novak and the German Social Market Economy, and how can this question help to further develop an integral approach?* Three steps have to be taken in order to answer this question: firstly, Democratic Capitalism, as presented in Novak’s work, must be outlined; secondly, the fundamental principles of the German Social Market Economy must be presented in parallel; thirdly, a comparative analysis of the two approaches has to lead to a new perspective on their underlying economic ethics, whereby special consideration will be placed on the genesis of the notion of capitalism and some selected principles of Catholic Social Teaching.

1. Democratic capitalism

The essential hermeneutic by means of which Michael Novak attempts to characterize Democratic Capitalism consists in examining it from three perspectives: According to Novak, it is not only an economic system, but a political and

1 M. Novak, *The Spirit of Democratic Capitalism*, Lanham 1991, p. 140.

2 Cf. M. Novak, *On the Governability of Democracies: The Economic System. The Evangelical Basis of a Social Market Economy*, in: E.W. Younkins (ed.), *Three in One. Essays on Democratic Capitalism, 1976–2000*, Lanham–Oxford 2001, pp. 20–40.

moral-cultural one as well.³ His analysis of Democratic Capitalism is therefore composed of (1) an economy based on markets, incentives, and private property; (2) a politics based on democracy and the rights of the individual; (3) a social culture based on pluralism and liberal values. (At this point, it should be noted that he seems not to mean the normative term *pluralism* ideologically, but to use it synonymously with the descriptive term *plurality*).⁴ By analogy with the separation of powers within democracy – executive, legislative, and judiciary – Novak considers the separation of systems – namely political, economic, and moral-cultural – to be a necessity for an integral social system: Democratic Capitalism is therefore a “system of systems”.⁵ This socio-ethical thesis is based on an individual-ethical understanding of the individual in the state, who is at all times simultaneously a citizen, an economic agent, and a bearer of his own culturally formed conscience: the individual is not only a political animal, but an economic as well as a moral-cultural one.⁶ The presentation of this hermeneutic triad requires the three aspects mentioned to be examined in turn hereafter.

The *economic aspect* of capitalist systems, according to Novak, is characterized by the following moments: “The distinctive marks of capitalism are an emphasis upon (1) invention, (2) open entry by the poor into markets, (3) ease of incorporation, (4) the availability of credit to the poor, and (5) other such institutions at the bottom of society.”⁷ Therefore, for Novak, the advantage of capitalist institutions does not fundamentally lie in a conceptual or theoretical superiority, but results from a practical-empirical experience of wealth creation: as soon as a better system is found, it would be in the spirit of capitalism to adapt to it – however, no better system has yet been found.⁸ Nevertheless, Novak never tires of emphasizing that such an economic system cannot function apart from certain political and moral-cultural systems.⁹

3 Cf. M. Novak, *The Vision of Democratic Capitalism*, in: E.W. Younkins (ed.), *Three in One. Essays on Democratic Capitalism...*, pp. 41–50.

4 Cf. M. Novak, *The Spirit of Democratic Capitalism...*, p. 14. Cf. further M. Novak, *The Vision of Democratic Capitalism...*, p. 42.

5 M. Novak, *The Vision of Democratic Capitalism...*, p. 50, and similarly in M. Novak, *On the Governability of Democracies...*, p. 23.

6 Cf. M. Novak, *The Vision of Democratic Capitalism...*, p. 45, and similarly in M. Novak, *On the Governability of Democracies...*, p. 23.

7 M. Novak, *Political Economy and Christian Conscience*, in: E.W. Younkins (ed.), *Three in One. Essays on Democratic Capitalism...*, pp. 169–176.

8 Cf. *ibidem*, p. 176.

9 Cf. M. Novak, *The Vision of Democratic Capitalism...*, p. 44.

The *political aspect* is worthy of consideration for Novak because, according to him, the economic system of capitalism historically never arises outside the political system of democracy.¹⁰ In a ‘policy of Democratic Capitalism’, the government would have the task of actively acting in the economy to empower its citizens, but without planning for them socialistically, dominating them or managing their businesses.¹¹ From a political perspective, Novak sees this as the fundamental imperative for his system:

Government must be active, but there is a way of being active without being socialist. This is the root insight of democratic capitalism as a form of political economy.¹²

In addition to the negative definition of ends in contrast to socialism, Novak also provides a positive one. He sees the highest end of the political economic order of Democratic Capitalism in the ideal of *caritas*: because every individual is recognized as a source of insight, economic decision-making, and inventiveness, the end of the republic is to form independent, fraternal, and cooperative citizens whose individual interests include the interests of others; ultimately, it is about the ideal of *caritas* as the common good.¹³

The *moral-cultural aspect* ultimately forms the prerequisite for the previous aspects. Novak emphasizes that political democracy and Democratic Capitalism cannot be realized in every culture, as they presuppose a certain cultural ethos: “A market economy may be as much an expression of the Jewish-Christian ‘historical energy’ in the economic order as democracy is in the political order.”¹⁴ Novak sees no coincidence in the fact that democratic capitalism first emerged in countries of Judeo-Christian culture, since, according to him, a certain view of human life and human hope is the basic prerequisite for democratic market economy systems.¹⁵ He understands the concept of culture literally: Democratic Capitalism presupposes a society in which the values of individual responsibility and social cooperation have grown and been actively *cultivated* over time.¹⁶ So both democracy and capitalism depend on the strength of some critical moral and

10 Cf. M. Novak, *On the Governability of Democracies...*, p. 25.

11 Cf. M. Novak, *Political Economy and Christian Conscience...*, p. 175.

12 Ibidem, p. 175.

13 Cf. M. Novak, *The Spirit of Democratic Capitalism...*, p. 357.

14 M. Novak, *On the Governability of Democracies...*, p. 31.

15 Cf. M. Novak, *The Spirit of Democratic Capitalism...*, p. 242–334.

16 Cf. M. Novak, *An Underpraised and Undervalued System*, in: E.W. Younkins (ed.), *Three in One. Essays on Democratic Capitalism...*, p. 13–19.

cultural commitments.¹⁷ More specifically, for Novak, Democratic Capitalism is dependent on “a vision of the responsible individual; moral autonomy; social cooperation and fellow feeling; intellectual and artistic freedom; creativity beyond alienation; religious liberty; many-faced pluralism; inalienable human rights.”¹⁸

In analogy to the three systems mentioned within the system of Democratic Capitalism, Novak identifies three ways of attacking it: By dismantling (1) the economic, (2) the political, or (3) the cultural system of thought, one robs the other two systems of their foundation.¹⁹ Against this background, another characteristic of Democratic Capitalism should be pointed out: it does not claim to be perfect, but to be tailored to the imperfect, sinful human being. The differentiation of the economic, political, and moral-cultural system within Democratic Capitalism is intended to keep the tendency to sin in check:

At the heart of Judaism and Christianity is the recognition of sin, as at the heart of democratic capitalism is a differentiation of systems designed to squeeze some good from sinful tendencies.²⁰

By distinguishing between the systems, Novak differentiates his own approach from socialism: while the latter considers the economic and political systems as one and strives for a single, collective moral-cultural system, Democratic Capitalism respects the fact that each of these systems is to a certain extent autonomous and yet depends in part on the other two.²¹ According to Novak, socialism is actually neither a political nor an economic concept, but the remnant of the Judeo-Christian faith after the removal of religion: it is the belief in the goodness of man and the possibility of paradise on earth.²² Because socialism is based on the belief in the goodness of man, it does not work; because Democratic Capitalism, on the other hand, believes in the sinfulness of man, it is so successful.²³ This gives rise to the apologetic advantage of the system, according to Novak: because Democratic Capitalism does not claim to be the best economic, political, or moral-cultural system – let alone a perfect system – all that is needed is proof that all

17 Cf. M. Novak, *The Vision of Democratic Capitalism...*, p. 49; cf. further M. Novak, *On the Governability of Democracies...*, p. 37.

18 M. Novak, *An Underpraised and Undervalued System...*, p. 18.

19 Cf. *ibidem*, p. 19.

20 M. Novak, *The Spirit of Democratic Capitalism...*, p. 353.

21 Cf. M. Novak, *The Vision of Democratic Capitalism...*, p. 49.

22 Cf. M. Novak, *A Closet Capitalist Confesses*, in: E.W. Younkins (ed.), *Three in One. Essays on Democratic Capitalism...*, p. 3–5.

23 Cf. *ibidem*.

other existing systems are worse.²⁴ Probably the strongest argument put forward by critics of Democratic Capitalism is that it denies the possibility of overcoming natural inequalities and human dependencies, and even fuels these kinds of injustices.²⁵ This is countered by Novak:

To announce support of democratic capitalism it is not necessary to hold that paradise has thereby, or will someday, be reached. It is not necessary to assert that democratic capitalism is a *good* system. It is certainly not a Christian system, nor a highly humanistic one. It is in some ways, an evil, corrupt, inefficient, wasteful, and ugly system. One need only assert that it is better than any known alternative.²⁶

In a pragmatic manner, Democratic Capitalism does not seek to win ideological disputes, but simply to achieve better results in production, delivery, and payment than other systems.²⁷

As an interim result, it can be noted that Michael Novak understands Democratic Capitalism as a system of systems that attempts to develop an integral approach to a social system in determining the relationship between economic, political, and moral-cultural systems. He applies the purely pragmatic standards of efficiency and wealth creation instead of utopian-ideological standards in order to withstand the sinfulness and imperfection of human beings. Having thus outlined an overview of Novak's Democratic Capitalism, in the next section, the German Social Market Economy is to be discussed as an object of comparison.

2. German Social Market Economy

In order to gain an authentic understanding of the concept of the German Social Market Economy, its historical background must be taken into account, because although economic concepts as abstract theories may be timeless, they still bear the signature of the *zeitgeist* under which they were created: for example, the Social Market Economy is first and foremost the German response to the economic misery of the late 1940s.²⁸ When the founding of the Federal Republic of Germany

24 Cf. M. Novak, *The Spirit of Democratic Capitalism...*, p. 28; cf. further M. Novak, *An Underpraised and Undervalued System...*, p. 15.

25 Cf. W. Kristol, *The Friends and Enemies of Democratic Capitalism*, in: F.E. Baumann (ed.), *Democratic Capitalism? Essays in Search of a Concept*, Charlottesville 1986, p. 55.

26 M. Novak, *An Underpraised and Undervalued System...*, p. 15.

27 Cf. *ibidem*, p. 16.

28 Cf. A. Müller-Armack, *Das Konzept der Sozialen Marktwirtschaft – Grundlagen, Entwicklung, Aktualität*, in: *Soziale Marktwirtschaft. Geschichte – Konzept – Leistung*, Stuttgart–Berlin–Köln–Mainz 1988, pp. 1–34.

was being prepared after the end of the Second World War, there was a need for an economic system that would improve the situation of the population, which had fallen into poverty as a result of war and destruction, while at the same time complying with the liberal principles of the newly founded democracy. A glance at the West showed, on the one hand, how liberal capitalism was failing to establish social justice; a glance at the East showed, on the other hand, how socialism failed to guarantee either economic freedom or social justice. It was therefore necessary to find a new solution that met these requirements and which the majority of the population could trust.²⁹

The pioneers of the Social Market Economy were similarly critical of early economic liberalism as the Magisterium of the Church.³⁰ The superfluous earnings of those in economic activity do not belong to them alone, as the wealthy are obliged to love their neighbor and be charitable according to the teachings of the Church.³¹ The Social Market Economy was therefore understood to be something entirely different from a market economy or a free market economy – the social principle is not merely symbolic, but rather the ideal foundation on which the economy is built and the end it serves.³² In distinct contrast to Novak's apology of Democratic Capitalism, the German decision in favor of the Social Market Economy was therefore not a pragmatic one, made in the absence of a more effective system, but a decision based on the ideal aspects of justice and freedom.³³

The original idea of the German system was therefore an overall order of economic and social life that was as distinct from uncontrolled capitalism as it was from socialism: although an economic order was needed that was largely regulated by competition, it also had to be controllable by democratic processes so that it could be a social order at the same time.³⁴ The market principle, on the one hand, and the social principle on the other should therefore be of equal importance; this balance is the aim of the German Social Market Economy as an *economic*,

29 Cf. *ibidem*, p. 30.

30 Cf. A. Rauscher, *Die Soziale Marktwirtschaft in der Perspektive theologischer Ethik II*, in: V. Laitenberger (ed.), *Die Ethik der Sozialen Marktwirtschaft. Thesen und Anfragen. Ein Symposium der Ludwig-Erhard-Stiftung Bonn am 21. Oktober 1987*, Stuttgart–New York 1988, pp. 59–71.

31 Cf. Pius XI, *Encyclical Letter Quadragesimo Anno (1931)*, in: *The Christian Faith in the Doctrinal Documents of the Catholic Church*, New York 1998, pp. 835–839 (ND 2108).

32 Cf. A. Rauscher, *Die Soziale Marktwirtschaft...*, p. 61.

33 Cf. A. Müller-Armack, *Das Konzept der Sozialen Marktwirtschaft...*, p. 12.

34 Cf. T. Rendtorff, *Die Soziale Marktwirtschaft in der Perspektive theologischer Ethik I*, in: V. Laitenberger (ed.), *Die Ethik der Sozialen Marktwirtschaft...*, pp. 45–58.

social, and *political* concept.³⁵ Based on a Christian anthropology, it essentially pursues two goals: *freedom* and *justice*.³⁶ However, to ensure that the advantages of a *free* market do not contradict a *just* social order, it is necessary to channel market processes by means of a legal and institutional framework.³⁷ Thereby, the principle applies: “Soviel Markt wie möglich, so viel Staat wie nötig.”³⁸ – “As much market as possible, as much state as necessary.” Such an order demands not more than the minimal agreement in political, religious, and moral conviction from those involved in it.³⁹ Because the Social Market Economy relies solely on people with minimal morals who firstly strive for their own benefit and then that of their neighbors, from a Christian perspective it also corresponds to the image of the sinful human being.⁴⁰ Since only a free and competitive economy can provide the extensive resources required to maintain a humane and fair social system, the aim of the Social Market Economy is to use the freedom of the markets as a means to the end of ensuring the justice of the social system.⁴¹ Therefore, the market economy is only regarded as ethically and socially acceptable as long as it is based on functioning competition.⁴²

As an interim result, it can be said that the concept of German Social Market Economy, based on Christian anthropology, was conceived as a liberal and humane alternative to both the state planned economy and laissez-faire capitalism.⁴³ The Social Market Economy does not claim to be measured primarily by the pragmatic measure of wealth creation, but has the ideal principles of freedom and justice as its ultimate objective. Now that two different approaches towards an economic system have been outlined in terms of their fundamental principles, the next step is to attempt a synthesis from the perspective of theological ethics.

35 Cf. A. Müller-Armack, *Das Konzept der Sozialen Marktwirtschaft...*, p. 12.

36 Cf. *ibidem*, p. 11.

37 Cf. O. Schlecht, *Der ethische Gehalt der Sozialen Marktwirtschaft*, in: V. Laitenberger (ed.), *Die Ethik der Sozialen Marktwirtschaft...*, pp. 5–23, at 11.

38 A. Müller-Armack, *Das Konzept der Sozialen Marktwirtschaft...*, p. 17.

39 Cf. A. Rendtorff, *Die Soziale Marktwirtschaft...*, p. 56.

40 Cf. O. Schlecht, *Der ethische Gehalt der Sozialen Marktwirtschaft...*, pp. 8–9.

41 Cf. *ibidem*, p. 15.

42 Cf. *ibidem*, p. 13.

43 Cf. *ibidem*, p. 7.

3. Synthesis

To begin with, a digression into the history of the ethics of capitalism may be granted. After all, ethical reflection on capitalism is by no means an achievement of modern times, but finds its early beginnings in St. Augustine:

Augustine also ruled that price was a function not simply of the seller's costs, but also of the buyer's desire for the item sold. In this way, Augustine gave legitimacy not merely to merchants but to the eventual deep involvement of the church in the birth of capitalism when its earliest forms began to appear in about the ninth century on the great estates belonging to the monastic orders.⁴⁴

These initial ideas continued in the spirituality of Franciscan monasticism, particularly in the Middle Ages, and developed into the question of the possibility of sanctifying everyday work – of the possibility of using the economy as a means of serving the poor.⁴⁵ For economics, this means: “Le merci dovranno trasmutarsi in strumenti di conversione”⁴⁶ – the markets should not be abandoned, but transformed into instruments of conversion and improvement of the world.⁴⁷ Prominent Franciscans such as St. Bernardino of Siena preached a technical capitalism whose profits should be used for the good of the poor; this is by no means a medieval causality of pious capitalists who want to escape hell, but rather, following St. Augustine, a systemic separation of the two spheres of the *forum internum* and the *forum externum*, the inner attitude either of loving God and the neighbor or loving self (egoistically), and the outer institutions and laws either just or unjust economic activity.⁴⁸

⁴⁴ R. Stark, *The Victory of Reason. How Christianity Led to Freedom, Capitalism, and Western Success*, New York 2006, p. 58. Cf. P. Schallenberg, *Armut oder Ethik? Der Beginn der Sozialethik in der franziskanischen Armutsbewegung*, in: H.D. Heimann et al. (eds.), *Gelobte Armut. Armutskonzepte der franziskanischen Ordensfamilie vom Mittelalter bis in die Gegenwart*, Paderborn 2012, pp. 67–80.

⁴⁵ Cf. M. Bartoli, *La libertà francescana. Francesco d'Assisi e le origini del francescanesimo nel XIII secolo* (Quaderni di francescanesimo), Trapani 2009. Cf. O. Todisco, *La libertà nel pensiero francescano. Un itinerario tra filosofia e teologia*, Assisi 2019.

⁴⁶ G. Todeschini, *Ricchezza francescana. Dalla povertà volontaria alla società di mercato*, Bologna 2004, p. 59.

⁴⁷ Cf. P. Schallenberg, *Armut oder Ethik?...*

⁴⁸ Cf. A. Fanfani, *Le origini dello spirito capitalistico in Italia*, Milano 1933. Cf. further A. Fanfani, *Cattolicesimo e protestantesimo nella formazione storica del capitalismo*, ed. P. Roggi, Venezia 2006.

Christian Social Teaching has in this sense ‘always’ upheld the principle that productive acquisition is justified and to be encouraged, while lucrative acquisition is reprehensible and to be eradicated.⁴⁹

Therefore, an examination of the historical development of Christian capitalism shows that markets, as belonging to the external sphere, are in themselves ethically indifferent—their moral quality derives from the fact that their structures are to be designed in accordance with a morally good attitude in the internal sphere. In other words, from a Christian perspective, an economic system is not to be measured by how much profit it generates, but rather whether it is designed to use its profit to serve God and neighbor. This fundamental standard is to be developed in the following, by discussing selected remarks of the Church’s Magisterium on these questions.

An exegesis of the Magisterial publications quickly reveals that hardly any other term is used in such an ideologically shimmering way as that of capitalism.⁵⁰ Novak himself notes a certain anti-capitalist resistance in Church teaching, rooted in the accusation that capitalism is materialistic, anarchic, and promotes inequality.⁵¹ However, despite numerous harsh condemnations by the Church’s Magisterium of various abuses in capitalist systems, there is no discernible universal condemnation of capitalism on the basis of which one could speak of an anti-capitalist attitude on the part of the Church.⁵² Novak himself welcomes the fact that popes, standing outside the democratic-capitalist systems, have expressed legitimate criticism of various errors and differentiate between historical capitalism and contemporary systems.⁵³ It should also be emphasized that the Church’s Magisterium speaks of an interdependence between the economic, cultural, political, and religious systems and thus generally agrees with Novak’s hermeneutic approach.⁵⁴

49 J. Messner, *Ist die christliche Soziallehre antikapitalistisch?*, in: A. Rauscher (ed.), *Ist die katholische Soziallehre antikapitalistisch?*, Köln 1968, pp. 134–154; own translation, originally: “Die christliche Gesellschaftslehre hat in diesem Sinne ‚seit je‘ das Prinzip vertreten, daß produktiver Erwerb berechtigt und zu fördern, lukrativer Erwerb verwerflich und auszumerzen ist.”

50 Cf. *ibidem*, p. 135.

51 Cf. M. Novak, *The Spirit of Democratic Capitalism...*, p. 243.

52 Cf. J. Messner, *Ist die christliche Soziallehre antikapitalistisch?...*, p. 139.

53 Cf. M. Novak, *The Spirit of Democratic Capitalism...*, pp. 246–247. Novak refers mainly to John Paul II, *Encyclical Letter Laborem Exercens* (1981), in: *The Christian Faith in the Doctrinal Documents of the Catholic Church*, New York 1998, pp. 875–878 (ND 2177).

54 Cf. John Paul II, *Encyclical Letter Sollicitudo Rei Socialis* (1987), in: *The Christian Faith...*, pp. 883–885, (ND 2190).

Catholic Social Teaching values the free market for its ability to ensure the effective production of goods and services.⁵⁵ At the same time, however, the free market is not to be judged apart from the values it conveys on a social level.⁵⁶ Competition is also seen as a suitable instrument for realizing goals of justice through the market, for example, by rewarding entrepreneurship and innovation or responding to consumer needs.⁵⁷ In this context, the Magisterium distinguishes itself from both socialism and uncontrolled capitalism.⁵⁸ If a trend can be identified at all, then it is in the direction towards economic democracy.⁵⁹

However, truly integral development cannot be reduced to economic growth alone, but must promote the well-being of every person.⁶⁰ The primary priority of the economy must not be profit;⁶¹ that place belongs to citizens' initiatives—whether individual employees or institutions that serve the common good.⁶² Institutions must therefore take an active role in promoting increased productivity with a view to social progress and the well-being of all.⁶³ In this context, the state has a responsibility to create situations that promote the free activity of the economy and to set limits for economic actors in order to implement the principles of subsidiarity and solidarity.⁶⁴

In summary, the core statement of Catholic Social Teaching on the matter is that – although free markets are to be valued as an instrument for generating goods – the primary end of the economy must be to promote the common good. To achieve this end, it is necessary for state institutions to create an *external*

55 Cf. Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, Vatican 2004, no. 347.

56 Cf. *ibidem*, no. 348.

57 Cf. *ibidem*, no. 347.

58 See for example John Paul II, *Encyclical Letter Centesimus Annus (1991)*, in: *The Christian Faith...*, pp. 887–895, (ND 2194); cf. further W. Lachmann, *Ökonomische Konzepte in kirchlichen Verlautbarungen*, in: V. Laitenberger (ed.), *Die Ethik der Sozialen Marktwirtschaft...*, pp. 25–44.

59 Cf. W. Lachmann, *Ökonomische Konzepte in kirchlichen Verlautbarungen...*, p. 37.

60 Cf. Paul VI, *Encyclical Letter Populum Progressio (1967)*, in: *The Christian Faith...*, pp. 853–859 (ND 2145).

61 Cf. *ibidem* (ND 2147b).

62 Cf. John XXIII, *Encyclical Letter Mater et Magistra (1961)*, in: *The Christian Faith...*, pp. 839–844 (ND 2113).

63 Cf. *ibidem* (ND 2113).

64 Cf. Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, no. 351.

framework for the economy so that they can serve an *internal* responsibility for the neighbor, especially for the neighbor in need.

Two economic systems have been examined, both of which pursue the goal of developing an integral approach to determining the relationship between economics and social ethics. Both attempt this in diverse ways: While Michael Novak puts together an explanation of Democratic Capitalism from three systems – namely economics, politics, and moral culture – the German Social Market Economy is an attempt to delineate a new system from two others – namely liberal capitalism and socialism. Both approaches claim to be tailored to the sinful human condition: Democratic Capitalism through the separation of its individual systems, the German Social Market Economy through the minimum moral demand on its economic participants. However, there is a significant difference in the paradigms that the two concepts set themselves as standards: Novak’s *pragmatic* approach, which measures itself solely by the results of its realizations, and the *idealistic* approach of the Social Market Economy, which presupposes a basic decision in favor of the ideals of freedom and justice before thinking of economic goals.

A brief examination of the intellectual history of capitalism has shown that, from a Christian perspective and following St. Augustine, it is fundamentally necessary to establish external institutions out of an inner attitude of charity, which regulate the free markets and make them an instrument of service to those in need. However, only this inner dimension can be the measure for an integral social system, which pursues pragmatic interests of wealth creation only secondarily. Today’s Social Market Economy could only become the model for a European economic and social community because it made this priority of inner ideals over outer effectiveness the principle of its economic framework.⁶⁵ A glance at Catholic Social Teaching has also confirmed that, despite all the value placed on the efficiency of capitalist economic systems, prioritizing the social principle is an indispensable prerequisite that must precede any regulatory framework of economics. Novak himself admits at one point that the purely pragmatic standard of wealth generation he postulates is not sufficient for an integral system such as Democratic Capitalism claims to be:

⁶⁵ Cf. E.W. Böckenförde, *Woran der Kapitalismus krankt*, in: *Wissenschaft, Politik, Verfassungsgericht*, Berlin 2019, pp. 64–71. Cf. further W. Streeck, *Gekaufte Zeit. Die vertagte Krise des demokratischen Kapitalismus*, Berlin 2013.

Thus, economic systems are properly to be judged not only in the light of how much wealth they produce, although that is in itself good, but also in the light of *how* their wealth is *used*.⁶⁶

Conclusion

In the first section, Michael Novak's account of Democratic Capitalism has been outlined, who characterized it primarily as a system of systems: it is an economic as well as a social system that is composed of three separate but interdependent systems, namely a political, an economic, and a moral-cultural one. However, the standard originally proposed by Novak by which the success of such a system is to be measured is a purely pragmatic one, without any claim to ideal or even ideological superiority. The second section has outlined the system of the German Social Market Economy for the purpose of comparison, which does not make an explicit distinction between economic, political, and moral-cultural systems, but instead differentiates the relationship between economy and politics from a socialist economy on the one hand and free capitalism on the other, and places the ideals of a Christian ethics in front of this relationship: The measure here is the realization of the ideals of freedom and justice. A third section has firstly, from a historical perspective, derived the further development of the Augustinian distinction between *forum internum* and *forum externum* to the idea of the instrumentalization of markets for the service of others; secondly, it has shown the confirmation of this approach by the Church's Magisterium, which propagates the necessity of external institutions to regulate markets according to internal standards of charity; thirdly, by comparing Democratic Capitalism with the Social Market Economy, concluded that the moral-cultural system—essentially the Christian ideal of charity—cannot stand on an equal footing with an economic and a political system, but must precede both.

Answering the question of how a comparison between Democratic Capitalism and the German Social Market Economy can help in the development of an integral economic and social system, one can therefore reply: although the Social Market Economy does not define the relationship between economy, politics, and moral culture in such a differentiated way as Democratic Capitalism, it represents a different approach born out of a historical necessity in contrast to the two great existing systems of its time, and it can nevertheless ensure that the economy is bound to moral ideals such as freedom or justice by placing these prior to the

⁶⁶ M. Novak, *On the Governability of Democracies...*, p. 28.

economic order. Or again, in reference to the opening quote: Michael Novak may be right that moral and cultural traditions have not developed in line with economic opportunities; however, Democratic Capitalism cannot solve this problem by further developing the spiritual and moral life, but only by recognizing that an internal attitude of Christian ideals must precede an external order of systems—the moral and spiritual life must be the basis of an economic order if it also strives to be its measure.

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CAPITALISM AND CATHOLICISM: COMPARING DEMOCRATIC CAPITALISM AND SOCIAL MARKET ECONOMY IN THE LIGHT OF CATHOLIC SOCIAL TEACHING

Summary

Michael Novak's *The Spirit of Democratic Capitalism* (1982) is considered to be an irrefutable and foundational work for the ethics of economics in our time. In a unique and original approach, Novak presents the intellectual-historical genesis of capitalist systems, which he locates decisively in certain spiritual and moral principles. This hermeneutic opens up an insight into the interplay between economy, society, religion, and politics – it is in particular able to utilize Catholic Social Teaching for the development of economically just systems. By unfolding the connections between democracy and market economy, Novak is able to illuminate the individual's responsibility for the social and economic challenges faced by society. From a German perspective, Novak's work is especially relevant in comparison with the German Social Market Economy system. Both approaches are based heavily on Catholic Social Teaching, yet the differences in their historical and contextual origins offer the opportunity to mutually enrich each other.

Keywords: democratic capitalism, social market economy, catholic social teaching, economic ethics, integral system

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