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Poverty, Injustice, and Inequality as Challenges for Christian Humanism

By *Martin Schlag* and *Daniela Ortiz*

Both in religious and in secular culture there is an acute and growing awareness that poverty, destitution, and misery should be eliminated, and that it is possible to achieve this goal. Despite this common aim, strategies for and approaches to fighting poverty vary widely among the disciplines and also among scholars within the same branches of knowledge and research. The dividing lines among these varying positions stretch across social sciences, theology, philosophy, and politics, to mention only some of the main fields. Traditionally the disparity of opinions is defined by the state (public) – market (private) dichotomy, with positions in the extremes and pragmatic intermediate approaches in between.[1] This means that some seek remedy in state or government intervention, public aid programs, and coordinated, tax-funded measures by International Organizations, while others rely entirely on the markets to do the job. In this book, we try to grasp poverty as an empirical phenomenon with the sole aim of interpreting it in the light of Christian faith and venturing beyond the dual public-private model. Pope Francis, among other religious authorities, has called on business leaders around the world to spread a new mindset in business that acknowledges the poor and the marginalized. In doing so, he deplores inequality and injustice.[2] These terms and concepts pose an intellectual challenge to Christian humanism, and thus several chapters are specifically dedicated to that discussion (Brian *Griffiths*, Bruce *Baker,* Daniel *Haun*). These ideas are also an appeal to practical implementation and can be an important guideline for creating sustainable business practices. They are the key notions in the chapters of our publication.

The present book is the result of an international conference in Berlin in October 2016, organized by the Markets, Culture and Ethics Research Centre of the Pontifical University of the Holy Cross in Rome, which brought together some of the leading scholars on the subject. Each chapter was further elaborated and made ready for publication. We concentrate on the intellectual side of the questions and hope to stimulate reflection among programs of action and education in private and public solidarity. Therefore, the economic chapters at the beginning of the book (Roger *Myerson*, Joseph *Kaboski*, Maria Sofia *Aguirre*) contain reflections on justice and equality as essential values and are open to the dimension of wisdom. These chapters are not an aim unto themselves but form part of the "see-judge-act" structure that underlies the Pas-

[1] See *Banerjee/Duflo* (2011), p. 1–16.

[2] See *Francis* (2013), n. 52–60, 202–208.

toral Constitution Gaudium et Spes of Vatican II. In order to act, there must be cognition. We cannot do what we do not know. Thus the primacy of orthopraxis (right action) over orthodoxy (right teaching), of which Gerhard *Kruip* and Martin *Schlag* speak in their chapters on Pope Francis's program. Similar to the approach taken by liberation theology, in reality this is not a rejection of orthodoxy or a denial of its importance, but rather calls for a transformation of the notion of orthodoxy. Invariably and by force of logic, orthodoxy comes first: our volition and actions follow our insights. Thus orthodoxy and orthopraxis require and presuppose each other.[3] However, orthodoxy – at least Christian orthodoxy that is defined by the centrality of the revelation of God as love – requires conversion in heart and deeds. Orthodoxy needs to be existential and, in order to be fully Christian, embodied in its seekers and pilgrims.[4] Ideas – the ideas in this book, we hope – are transformative if and in so far as they really *live* in the minds of the readers.

The authors in this book try to overcome the theological impasse in Catholic social thought between inequality-driven approaches on one side, and poverty-driven approaches on the other. As John *Buchmann* analyzes in his chapter, the inequality-driven approaches wish to combat inequality as such, whereas the other position does not. In the former case, the evil to be combatted is inequality in itself; in the latter, poverty is to be eradicated even if this endeavor implies a certain degree of inequality. In reality at present, theological discourse has shifted to a different focus: that of the three *munera* or tasks or offices of Christ and of every Christian.[5] These three *munera* are the offices of prophet, priest, and king (or queen) that each individual Christian and the Church as a whole exercise to the benefit of the world and of human society. Prophetical calling concentrates on the denunciation of injustices, especially those caused by the inconsiderate hardheartedness of the powerful and mighty; the priestly mission is that of promoting holiness and obedience to God's will; and finally the task of a king or queen is to positively contribute to the wellbeing of a people or a community by serving its common good through constructive measures. Pope Francis has forcefully exercised his prophetic mission of denunciation of evil. As a priest, he also incessantly calls to conversion and holiness. His contributions to the regal *munus* have been few, likely because it is not the task of the magisterium to design detailed technical solutions for specific economic or political issues. The specialists need to complement the pope's teaching with a constructive proposal associated with the kingly *munus.* It is certainly important to criticize the social injustice and economic inequality that offend human rights and dignity, but it is equally important to offer solutions that create prosperity for all and not only for the elite.[6] It is not the task of the magisterium but of Christians active in the field to discover the technical

[3] See *Gutiérrez* (2009), p. 38.

[4] See *Sedmak* (2016), p. 141 – 181.

[5] See *Reichert* (forthcoming).

[6] See *Roos* (2016).

and practical ways to achieve a just and equal society.[7] Pope Francis has only hinted at a possible way forward: On several occasions he has spoken of the social market economy or simply a social economy as opposed to a "liquid" economy.[8] With the concept of a liquid economy Francis decries an economic system that considers profit maximization to be the only aim of business over and above any other value, and at the price of human and ecological suffering. His idea of a social (market) economy places the human person at the center of systems, organizations, and strategies. It is an idea expressed already by Vatican II in Gaudium et Spes,[9] and it has received various names in different cultural contexts (democratic capitalism, civil economy, virtuous entrepreneurship, etc.) that, however, all imply a combination of free markets with rule of law, a regulatory framework for the economy, and some measure of social justice. Of course there are important nuances among the different positions, which we have wished to reflect by engaging in a dialogue between the US-American and the European tradition, as Arnd *Küppers* exemplifies in his chapter on the notion of social justice. However, our particular interest in this volume was Latin America, given Pope Francis's origins and the impact of the theology of the people, a variant of liberation theology. Can the model of social market economy be a valid and constructive proposal for Latin America as well? This is the question Marcelo *Resico* answers affirmatively in his chapter. Of course, the main challenge in Latin America is not economic but political. Democratic capitalism is an evolving system, its sustainability depending on service to the human person and the planet. This in turn necessitates inclusive political institutions that distribute power and dissemble it equitably; otherwise extractive institutions syphon off wealth to the elite and overlook the productive masses.[10] The social market economy presupposes a strong and just state that fights corruption and illegality and effectively protects private property, while at the same time guaranteeing the social responsibility that property entails. Freedom can only flourish with clear moral guidelines. This yet again means putting the human person at the center of understanding and practice.

Finally, the two case studies presented at the end of this volume show how the regal *munus* of each individual Christian pertains not only to the crafting of political and legal institutions that enable individuals to flourish in their own particular commercial and private activities. Moreover, the office of Christian governance must also be reflected at the micro-level in the decisions taken in the business area and within family life. Consequently, *Melé et al.* show how the Corporate Community Involvement (CCI) of Colombian companies forms a necessary complement to social assistance programs. Business leaders who align their concrete policies for partnerships and involvement in poorer communities with the four basic principles of Catholic Social Teaching – Personality, Solidarity, Subsidiarity and orientation towards the

[7] See *Benedict XVI* (2009), n. 9.

[8] See *Francis* (2016) and (2017).

[9] See *Gaudium et Spes*, n. 63: the human person is the "source, the center, and the purpose of all economic and social life".

[10] See *Acemoglu* and *Robinson* (2012).

Common Good – are a good example of how orthopraxis in business life requires the orthodoxy mentioned earlier. On the other hand, the case presented by *Saucedo* about the role of systems of reciprocity amongst poor families in Mexico City demonstrates how, in adverse times, poor households cannot depend only on the more or less efficient social assistance programs put up by the government. Furthermore, the presented case shows how the sharing of resources among members of social institutions of civic life, such as (extended) family, neighbors, and friends forms a necessary means of protection from material adversity in urban Mexico. *Saucedo* explains how these informal social assistance measures are governed by relationships based on reciprocity. However, it must be acknowledged that the principle of reciprocity is a consequence of a specific moral stance based on solidarity and respect for the other and thus embedded in the ethical life of individuals and families. As such, family support can also lead to strong dependencies and counterproductive hierarchical structures if not guided by these principles. This concrete example again illustrates the strong interdependence of orthodoxy and orthopraxis at the micro-level of social life. In other words, Christians cannot expect that a just and inclusive economic system will be created only by the political and legal framework. Rather, by leading their own lives in wisdom, *they* cultivate the soil necessary for these institutions to contribute to the flourishing of each member of society.

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Inhaltsverzeichnis

Part I: Poverty

Part II: Injustice and Inequality

Part III: Case studies

Part I: Poverty

Public Political Capital for Economic Development[1]

By *Roger Myerson*

Abstract

Successful democratic development in a nation depends on an ample competitive supply of political leaders who have good reputations for exercising power responsibly in public service. Such public political capital can be developed in autonomous institutions of local government. Thus, when voters are disappointed by the quality of their national political alternatives, a long-run remedy may be to decentralize some share of public power to democratic local governments. One country where these issues have been particularly salient is Kenya.

I. An Economist's Appreciation of Political Capital

What are good ways for people to live together? This fundamental question motivates those of us who work in economics and other social sciences, as well as those whose work is devoted to any of the great religious traditions in the world. As an economic theorist, my job is to develop new analytical models that can help us to see more clearly how the structure of social institutions can affect people's behavior. Like any scientist, I begin with a fundamental faith that events happen in the universe according to predictable patterns, and that our minds should be capable of understanding these patterns, if we can just learn how to see them.[2]

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[1] This is the text of a talk prepared for delivery at the 5th Colloquium on Christian Humanism in Economics and Business, at the Konrad Adenauer Foundation, Berlin, on October 24, 2016. I am grateful to Martin Schlag for the invitation to speak at this meeting. I am also deeply indebted to Jean Ensminger for guidance and insights into the problems of political reform in Kenya.

[2] Economic theorists like me tend to focus on models which assume (1) that the human welfare which we care about is defined by the aspirations of individuals, and (2) that each individual can be expected to act for the achievement of his or her own aspirations. These assumptions help us to see how better social structures can increase welfare by creating incentives for people to help each other. We generally assume that individuals' aspirations are broadly defined by some given form of selfish materialism, partly because we want to avoid any suggestions that the problems of poverty can be solved by teaching the poor to enjoy their plight, or that the problems of political corruption can be solved by concentrating dictatorial power in the hands of one individual who loves justice.

I have described myself as an economic theorist, but my work in game theoretic modeling really puts me somewhere between economics and political science. I believe that the wealth of any nation ultimately depends on the quality of its government and its distribution of power. You know that many economists, including some famously from Chicago, see strong economic growth as depending primarily on private investment, which they would encourage by strictly limiting the power of government. But private investment depends on a system of law and order which ultimately depends on political leadership. A prosperous community also needs investments in public goods, such as transportation infrastructure, as well as public safety, and such investments must be controlled or regulated by government.

Thus, where other economists have focused on private investment as the key driver of economic development, I would argue that economic development ultimately depends on political leadership, specifically on the supply of potential leaders who have good reputations for exercising power responsibly, and who have proven records of spending public funds accountably in the public interest. This supply of trusted leadership in a nation can be called its "public political capital." Individuals with such good reputations can expect to serve their communities in responsible positions of power as long as they use that power to serve the public well, and they can be trusted to do so because they should not want to lose the privileges of such a career. But communities which lack such trusted leaders will be impoverished by a scarcity of essential public goods, because nobody can be trusted to manage public resources, and we should expect that any resources sent to help such communities will be largely stolen.

So the vital question is: how can a nation increase this public political capital when it is scarce? My response is that autonomous institutions of local government can be the best source of such trusted democratic leadership for a nation.

This point needs much emphasis because there can be powerful forces that favor centralization even when it harms a nation's welfare. National political leaders have a vested interest in centralizing power more narrowly around themselves.

In a new democracy, an expressed popular mandate enhances the authority of elected national leaders, who may then have greater ability to suppress the autonomy of local political institutions. Thus, when democracy is first instituted only at the national level, the result can be an increased centralization of power, as history has shown since the French Revolution.

II. Summary of the Theory: Democratic Decentralization Encourages Better Leadership[3]

Successful democracy requires more than just elections. Even with free elections, a corrupt political faction could win re-election from the voters and maintain its grip on power if the voters believed that other candidates would not be any better. For each elective office, democratic competition can effectively provide incentives for better public service only when voters can identify two or more qualified candidates with good public reputations. When such trusted leadership is lacking, democracy is inevitably disappointing. For a successful democracy, this public political capital must be more than is needed to fill all elected offices.

When locally elected leaders have clear administrative and budgetary responsibility for the successes and failures of local government, then those who succeed will enlarge the nation's vital supply of popularly trusted leaders. When a responsible elected official in local government has hope of running for a higher office, this aspiration can motivate greater efforts to earn a better record of public service. Thus, the effectiveness of democratic competition is sharpened by the existence of different levels of elected offices with autonomous responsibilities, which can form a ladder of democratic political advancement that effective leaders can climb from local politics to provincial and national politics. For an inclusive political system, the lowest of these local offices should be open to the competitive entry of people in any community who have earned the trust of their neighbors.

In a centralized regime, however, the system of political advancement can have the opposite effect of inhibiting the development of public political capital because a local official who developed a better popular reputation could be considered a potential threat to the incumbent national leader. So where local officials depend on presidential appointment, not on local popular approval, the advancement of a local official may depend on his not serving the people well.

Thus, I would suggest, if voters feel disappointed at the quality of their national political alternatives then, in the long run, a remedy may be found in responsible institutions of democratic local government. In recent years, we have seen several examples of promising new national leaders elected after serving responsibly in local government, such as of Joko Widodo in Indonesia or Narenda Modi in India.

The successful establishment of strong competitive democracy at the national level in America after 1788 depended on the large supply of potential candidates with proven records of public service in the 13 former colonies. Throughout American history, competitive politicians have climbed a ladder of democratic advancement from local to national office.[4] A fundamental problem in American politics

[3] The theoretical discussion in this section is formalized in *Myerson* (2006). See also *Myerson* (2015a).

[4] See *Myerson* (2015b).