UNIVERSIDADE CATÓLICA PORTUGUESA

FACULDADE DE TEOLOGIA

MESTRADO INTEGRADO EM TEOLOGIA (1.º grau canónico)

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THE SOCIAL DOCTRINE OF THE CATHOLIC CHURCH ON THE ECONOMICS OF NEOLIBERALISM

Dissertação Final

sob orientação de:

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Lisboa

2014

DEDICATION

Dedicated with grateful affection & plenty gratitude

to my brothers of St. Dominic,

"The Friars Preachers of the Dominican Province of the Holy Rosary in Macau"

ACKNOWLEDGEMENT

In human societies light and darkness have always existed. Nowadays fundamental human rights and human dignity are smothered by an economic system called neoliberalism. But even when the clouds cover the sunlight, we know that the sun is always there to give us light and energy in order to sustain us.

The title of this thesis originates from my experiences as a social worker in the context of a specific economic system and situation in my home country South Korea. Neoliberalism changed not only the outside world but also our inside world of ideas, because human beings exist in it either to acquire power and wealth or to become enslaved for its goals. I have chosen this topic to show that there is a prophetic role for the Church to play within the challenge of neoliberalism, especially in view of Catholic Social Teaching on Neoliberalism.

Jesus Christ said "You are the light of the world. A city built on a hill cannot be hid. No one after lighting a lamp puts it under the bushel basket, but on the lampstand, and it gives light to all in the house. In the same way, let your light shine before others, so that they may see your good works and give glory to your Father in heaven" (Matt 5, 14-16). I think the Church's role is to be the light in the world; and to teach us how we should live together respectfully with one another in dignity. This pertains especially also to the economic realm.

First and foremost, I give thanks and praise to the Holy Trinity and my parents for the marvelous gift of life. Secondly, my gratitude goes to my brothers in the Priory of Saint Dominic in Macau, without their care and support in so many ways, this work could not have been completed. Thirdly, I would like to express my sincere thanks to my supervisor, Prof. Fr. Franz Gassner, SVD, for his suggestions, guidance and patience during the period of my dissertation writing. Fourthly, I would like to express my sincere thanks to my assistant, Christopher Liang, for his correction of English, advice and cooperation. Lastly, let me say big thanks to all my brothers, professors and friends who supported and accompanied me on my journey of study here in Macau.

Glory be to the Father, and to the Son, and to the Holy Spirit. As it was in the beginning, is now, and ever shall be, world without end. Amen.

ABBREVIATIONS

WTO	World Trade Organization
IMF	International Monetary Fund
FTA	Free Trade Agreements
OECD	Organization for Economic Cooperation and Development
GNP	Gross National Product
WFP	World Food program
NTB	Non-Tariff Barrier
Ed.	Edition, Edited by; Editor (pl. eds)
Etc.	et cetera, and other things
Ibid.	Ibidem (meaning: in the same place)
Vol.	Volume

Note : All Scriptures quotations in this paper are taken from The Catholic Prayer Bible: Lectio Divina Edition NSRV (New Jersey: Paulist Press, 2008).

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INTRODUCTION

I was once a volunteer helper in an orphanage in a clinic for victims of alcohol abuse, in a house for people with special needs, and in a hospice. One day, when I served at the hospice, I met a woman, who was a wife and mother of two children, and who was a terminal-stage cancer patient. She said to me,

> I had worked in a semiconductor company for the past ten years as a non-contracted worker. I had been working for the company for many years; the working conditions were very bad, but we had to agree to them, otherwise we could not have kept our jobs. Over time, I had developed cancer due to the working environment. The doctor's diagnosis was third-stage leucosis. As the disease was caused by my job and considered industry-related, I asked my company for some compensation. The company denied my request because I was a non-contracted worker. What little money our family had was soon used up to pay for medical care, and now we have to beg in order to survive.

Later on, when I was doing volunteer work at a home for the disabled, I met a man who had worked as a welder in a shipyard. This company had outsourced all of the dangerous work to another company, and this second company hired their labor force in the form of non-contracted workers. This meant they would be paid only when called for work. The working conditions were very bad, with longer hours and lower pay compared to regular workers. The man subsequently suffered a workplace accident and lost both his arms and now has to rely on artificial limbs. The accident destroyed also his family as his wife left him and their children are now raised by the grandmother. The man receives very little financial compensation and now has given up all hope in his life.

I have thought a lot about these two cases. They reflect two life experiences that have resulted from a change of circumstances in a society under a new economic system, neoliberalism. Whereas our social system used to be marked by the influence of politics and power, now it is marked by the influence of money alone. Anyone who has no money has become a slave to the system and is deprived by the ruling class of a fair wage for his work performed. Unfortunately, many people today value and pursue money and profit over everything else. Money became a fetish; it seems that one can get anything one desires with money; it seems one can even buy God.

In order to fulfill their own desires many people and systems ignore the basic needs of others and even their dignity. Thus the structures of many societies today are subject to the law of the jungle. Those in power make great efforts to hide the true situation and their real intentions from others. They will bury the truth so deeply that it will be difficult for others to find out about it, or they will falsely present their plans and actions as being benefiting others or the overall society. Sometimes, the truth is so twisted that even those in power may actually believe they are benefitting the society with their decisions and actions.

Therefore I think it is time for the Church to step forward and to point out clearly what is right and wrong in such a society and economic system. She has to bear witness to the truth in the field of society, politics, and economics because these areas affect fundamentally all people in any society, but especially the poor and the weak.

When I entered the seminary I joined a group studying the Church’s Social Doctrine. During one winter, we visited a sit-in demonstration against the privatization of public services. We later heard that some of the workers, who had been laid off as a result of these privatizations, had committed suicide. A month later we visited another sit-in that was protesting another complicated issue - the many negative structural changes to the national economy and to society as a result of merger and acquisition activities. On this occasion the demonstration turned violent and 24 people died as a result.

Currently in South Korea it is difficult to find work; the unemployment rate continues to rise, and the quality of life for too many people is further deteriorating. I thought about this new economic system and also of my own experiences in it when the financial crisis hit South Korea. I wondered whether supranational entities such as the World Trade Organization[1], the International Monetary Fund[2], and commercial associations such as the Free Trade Agreement[3] can really help poor nations and their

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[1] "The WTO is an umbrella organization established after the Uruguay Round of multilateral trade negotiations. The WTO agreement states that the organization is meant to provide the common institutional frameworks for the implementation of those agreements. The basic functions of the WTO are: (a) to implement, administer, and carry out the WTO agreement and its annexes. (b) to act as a forum for ongoing multilateral trade negotiation. (c) to serve as a tribunal for resolving disputes, and (d) to review the trade policies and practices of member states," Elimma C. Ezeani, *The WTO and Its Development Obligation: Prospects for Global Trade* (London: Anthem Press, 2011), 1.

[2] "The main purposes of the IMF, as well as its function and its instruments are constituted in the Articles of Agreement. According to these the IMF is supposed to promote international monetary cooperation, facilitate the expansion and balanced growth of international trade and promote exchange stability. In order to pursue these aims the IMF has three main fields of work. Firstly, surveillance which aims to prevent crises by monitoring economic and financial developments. Surveillance takes place on the bilateral, regional, and global levels. Secondly, the IMF offers technical assistance that enhances capacity-building within the administrations of member countries. It ranges over various aspects of economic policy such as monetary policy, tax and revenue administration, financial sector policy, as well as the generation and optimization of statistics," Caroline Silva-Garbade, *Determinants of National IMF policy: A Case Study of Brazil and Argentina* (Frankfurt: Peter Lang, 2011), 3.

[3] "The factors behind the fast growth of free trade agreements (FTAs) throughout the world include economic incentives, economic reforms, and political alliances. Among these economic

disadvantaged people. The current phenomenon of the new economic system of neoliberalism shows that the concept of money has become the reification of the economy. Economic success is equated with the generation and possession of money. The drive to compete for the top position has reduced human beings and whole segments of societies to become mere instruments or just means for production and more profit. Other negative effects include over-accumulation of capital, oversupply of products and unbalanced trade between nations. There is also excessive consumption by people in some countries while other countries are struggling to feed their people in order to survive.

When the economic system changes in a society, it can widen the gap between the rich and the poor. The economic system of Neoliberalism views humans as mere objects within its context of competition and survival of the fittest. This is in stark contrast to the idea as understood in the teachings of the Catholic Church which sees human beings as carrying an inviolable dignity as images of God. The implementation of this new economic system has widely violated human dignity and human rights because it disregarded, and even openly denied for instance a minimum medical coverage. It even reduced the availability of existing social welfare and increasingly

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incentives can play an important role in inducing countries to pursue FTAs with their trading partners. Most countries that establish FTAs claim they are pursuing high-quality FTAs. A country cannot automatically become an FTA regional hub by simply expanding its number of FTAs but must demonstrate a strong willingness for trade liberalization and trade facilitation by maximizing market access and harmonizing trade rules. As a core element for FTA negotiation, market access should be evaluated from several viewpoints, such as tariff elimination, the easing of non-tariff barriers (NTBs) such as customs clearance, the simplifying of ROOs, and the improvement of trade rules," Christopher Findlay Shujiro Urata (ed.), *Free Trade Agreements in the Asia Pacific* (Tuck Link, Singapore: World Scientific, 2010), 1-2.

shifted employment to the non-contracted sector with low or no protection. We encounter this situation not only in South Korea, but also in different countries and economies in Latin America, Asia, Africa, and even in Europe and the United States of America.

Some seminarians expressed to me the view that our Church should not intervene in issues of economic policies. My answer to them is that our Church is part of the society, therefore all of us live under the influence and control of a society's systems. Can our religion be separated from the society? Religion should never be separated from it, just as no faithful should hide away or stand apart from the social life and systems of the people. I would like to say that the Church should teach us what is right and wrong and how we should live our lives in today's society. She should teach us and help us to practice human and social values that are based on the Gospels and to courageously bear witness to Her founder Jesus Christ including the social mission of His teaching.

The 2007 global financial debacle began with the sub-prime mortgage crisis[4] in the United States of America. This crisis spread and affected soon also the real economy of that country and the whole world. Politics and economic systems can be the biggest menace to the survival of humanity today because being oppressed or being poor is no

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[4] "Subprime mortgages are loans extended to borrowers with weak credit profiles. Subprime mortgages entail higher risk of delinquency and default. Recent increases in subprime borrower foreclosures and lender bankruptcies have prompted concerns that some lenders' underwriting guidelines are too loose and that some borrowers may not have fully understood the risks of the mortgage products they chose. Regulatory agencies are revisiting the guidance they provide lenders and are reevaluating required disclosures to consumers. In addition, the US Congress is holding hearings on the subject and may consider consumer protection legislation," Arlene V. Carey, *Understanding Mortgage Meltdowns* (New York: Nova Science Publishers, 2009), 123.

longer an individual problem, or even a problem of certain societies or nations; these problems have become universal in nature.

The global paradigm of politics and economic changed in the last decades. Parts of the new concept of Neoliberalism are beneficial to humanity because they seek to improve human living conditions. However, there are also parts of the paradigm which are polarizing because some powerful nations over dominate with their economic theories and ideas. These nations, with the support of certain international organizations and certain trade and financial associations, have pushed this new paradigm onto poorer nations, causing some of the latter to become in fact economical and political colonies of the former.

In recent times the global society has been suffering under capitalism and materialism. Instead of being able to live a decent life in human dignity, many people are struggling just to survive. An ideology does not exist in isolation; by putting it into practice, it can influence and be influenced by society. In particular, any economic theory can be also influenced by politics as both areas are interconnected and affect directly our lives.

The current economic ideology is neoliberalism. It started as a political concept that was developed as an economic theory. Applied in practice, it was later adapted according to the societal situations and conditions. Neoliberalism does have some positive features, but its negative aspects create serious problems in view of a peaceful coexistence of all parts in a society. These negative consequences must be seriously addressed and corrected. By abusing so many people and throwing them into terrible situations, overall considered, this system is a menace to a life in human dignity. My two cases mentioned at the beginning of this paper show how neoliberalism damages human dignity.

In the following I want to discuss the history and contemporary challenges and effects neoliberalism. After that, I want to explore what answer Catholic Social Teaching can give to the phenomenon of neoliberalism and what the prophetic role of the Catholic Church is regarding global social justice and in promoting and defending human dignity and an authentic integral human development for all.

CHAPTER ONE: THE HISTORY OF NEOLIBERALISM

1.1. THE PRINCIPLE OF LAISSEZ-FAIRE IN ECONOMY

Liberalism is a political philosophy and was developed in connection to other theories dealing with human society. In all theories there are parts which contribute positively to human society, but there are also parts that hinder human progress. Here I shall mainly discuss the economic aspects of liberalism: its theory, the liberal movement respect for freedom and the choice of the individual, liberalism's basic rejection of government interference, and the resulting feudal-like bondage with the workers by the new bourgeois property class.

In principle, liberalism implies freedom, concerning life, politics and the right to acquire and possess property. It follows the principle of "*laissez-faire, laissez-aller, laissez-passer*", which means a philosophy or political altitude that a government should intervene as little as possible in economic affairs;

> Laissez-faire or laisser-faire is short for "laissez faire, laissez aller, laissez passer" a French phrase meaning "let do, let go, let pass". From the French diction first used by the eighteenth century physiocrats as an injunction against government interference with trade. It became to be used as synonym for strict free market economics during the early and mid-nineteenth century. It is generally understood to be a doctrine that maintains that private initiative and production are best allowed to roam free. It opposes economic interventionism and taxation by the state beyond that which is perceived to be necessary to maintain peace, security and property rights. It also embodies free trade, namely that a state should not use protectionist measures, such as tariffs, in order to curtail trade between nations.[5]

The idea of liberalism became the "what, how, for whom" when it was applied to

[5] U. C. Mandal, *Dictionary of Public Administration* (New Delhi: Sarup & Sons, 2007), 256.

solve economic problems. It purports the view that through the mechanism of a free market, the economy will regulate itself in the interest of a kind of “natural justice”.

As an economic theory, liberalism espouses competition in the private-sector as necessary for increasing national wealth, and governments should not interfere in the market economy. From this follows the basic aim of liberalism to have a small government. The term “liberalism” came into use in the nineteenth century, but the concept had already been developed even in the eighteenth century during the French and the American Revolution. Liberalism builds on the ideas of eighteenth century thinkers such as Adam Smith, John Locke, Jean-Baptiste Say, Thomas Malthus, and David Ricardo. It drew on a psychological understanding of individual liberty, and an unshaken belief in human progress.

When we talk about free market economics we have to be reminded of Adam Smith, who wrote the classic *An Inquiry into the Nature and Causes of the Wealth of Nations*. The most significant characteristic of his book was that a market economy allows for a rapid growth in productive abilities. According to his theory the private sector, through free choice and for its own self-centered reasons, contributes to economic development, and benefits society through the “invisible hand.”

> He [the entrepreneur] generally, indeed, neither intends to promote the public interest nor know how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain: and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of it. By pursuing his own interest, he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common

> among merchants, and very few words need be employed in dissuading them from it.[6]

For Adam Smith, the "invisible hand" is not just for private benefit, but results also in a public good through fair competition in a free market. According to him, if private companies are able to compete without restraint, this will mean a perfectly fair competition. And since a private company's desire is to obtain profit, that desire can contribute to the public good by creating other economic activities. For Adam Smith, the "invisible hand" of the free market is based on perfectly fair competition resulting in contribution to society and to the public good.

Adam Smith also warned about the negative side of the free a market - that there is the possibility of a government, or a specific economic class, or a small interest group, influencing the free market. These groups then create a monopolistic market by controlling prices.

> The monopolist by keeping the market constantly understocked by never full supplying the effectual demand sell their commodities much above the natural price, and their emoluments whether they consist in wages or profit, greatly above their natural rates. The price of monopoly is upon every occasion the highest which can be got. The natural price or the price of free competition, on the contrary, is the lowest which can be taken, not upon every occasion, indeed but for any considerable time together.[7]

Adam Smith said that fairness is the base for market balance. But later on, the concept of perfect competition and free market changed and prevented the proper

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[6] Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* Vol II (Paris: James Decker, 1801), 273-274.

[7] Adam Smith, *The Works of Adam Smith: The Nature and Causes of the Wealth of Nations* Vol II (London: Dugald Stewart, 1812), 92-93.

functioning of a free market. This change destroyed the correct functioning of the "invisible hand" for establishing a market equilibrium, and the public good was neglected. This situation became manifest through monopolies and Adam Smith opposed this kind of external effects on the market. He believed that there was a need to supervise the free market to ensure perfect competition, and that this supervisory institution should be the government. According to Adam Smith, the government's role is like that of a referee rather than that of another player in a football match. The referee's role is to ensure fair play in a competition. And so the government's role is regulate and to ensure fair competition in a free market, and not merely to sit on its hands when it sees unfair practices in the market. But Adam Smith was opposed to the any form of direct interference beyond necessary regulation by the government in a free market. He did not speak about government's role related to labor, or to the poor and the weak sectors of a society. Because he believed that a true free market and true fair competition will create positive effects on these segments of a society.

The Catholic Church always believed in the positive role of civil authorities and the government for social and also economic life. Pope Pius XI made the following announcement about civil authority in Encyclical Letter *Quadragesimo Anno*:

> With regard to civil power, Leo XIII, boldly passed beyond the restrictions imposed by Liberalism, and fearlessly proclaimed that the civil power is more than the mere guardian of law and of order, and that it must strive with all zeal "to make sure that the laws and institutions, the general character and administration of the commonwealth, should be such as of themselves to realize public well-being and private prosperity"[8]

[8] David J. O`Brien and Thomas A. Shannon, *Catholic Social Thought: The Documentary Heritage* (New York: Maryknoll, 1995), 47.

Pope Pius XI stressed that private freedom and private property is essential to our living together for the common good and that the government has a role to play in ensuring this harmony. Legislators have to ensure laws are made to protect the people in all cases and the government has to carry out these laws.

The definition of liberalism is non-interference from polities. The condition to liberty is freedom from coercion and repression, and an emphasis on private civil liberties.

> Perhaps the appropriate way to begin this discussion is with a four dimensional definition (Doyle 1997:207). First, all citizens are juridically equal under the law and possess certain basic rights to education, access to a free press, and religious toleration. Second, the legislative assembly of the state possesses only the authority invested in it by the people, whose basic rights are it is now permitted to abuse. Third, a key dimension of the liberty of the individual is the right to own property, including productive forces. Fourth, liberalism contends that the most effective system of economic exchange is one that is largely market driven and not one that is subordinate to bureaucratic regulation and control, either domestically or internationally. When these propositions are taken together, we see a stark contrast between liberal values of individualism, tolerance, freedom, and constitutionalism and conservatism, which place a higher value on order and authority and is willing to sacrifice the liberty of the individual for the stability of the community.[9]

The philosophies of the Enlightenment, and the marketplace exchanges of free ideas pertaining to the concept of a free market, provided the premises of liberal thinking. At that time, the representatives of liberal thinking were members of the bourgeois, the new property class. The bourgeois were against royal authority, and agitated for equal

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[9] John Baylis, Steve Smith and Patricia Owens, *The Globalization of World Politics: An Introduction to International Relations*, 4th Edition (Oxford: Oxford University Press, 2008), 110.

rights. However, in their opinion they did not extend their thinking to include the laborers and other members of lower classes. This theory of liberalism was thus pirated from its original meaning to justify the existence of the new capitalist class.

1.2. MODIFIED CAPITALISM OR KEYNESIANISM (MANAGED ECONOMICS)

By the end of the nineteenth century capitalism was heavily influenced by unregulated competition and monopolies appeared in the free market. As this form of capitalism developed, excessive competition began to develop, combined with increased underemployment, labor confrontations, rising prices, and a widening gap between the rich and poor. These are all factors which negatively affected the stability of societies.

Before the Great Depression of 1929 the principle of *laissez-faire* was the major economic theory that was practiced. However the practice of the *laissez-faire* theory could not solve many of the economic and social problems which finally culminated in the event of the Great Depression. The free market was unable to foster perfect competition and to achieve stability or growth in the society. This is because the principle of *laissez-faire* economics does not intend to harmonize private profit with the social good, and thus does not propose any form of reasonable regulation and control of the function of a free market. Additionally, this principle does not include the goal or maintenance of full employment.

In the 1930es the new theory of modified capitalism or Keynesianism began to receive attention, and subsequently was put into practice. This new economic theory, proposed by the depression-era British economist John Maynard Keynes (1883-1946) and others states that governments must intervene to increase the spending in public sectors in order to increase employment which in turn can stimulate and hopefully restore the real economy (managed economics). Modified Capitalism or Keynesianism was a government-controlled form of economic policy and system used to alleviate the contradictions within the capitalistic theory and praxis. Keynes advocated monetary to mitigate negative circles (depressions) in the economy. According to him, state intervention was necessary to create aggregate demand in order to stimulate the economy and fight unemployment. This modified form of capitalism requires the maintenance of the social structure of a private ownership system, and proposes the means of production as the basic principle of capitalism. It places limits and prohibitions on monopolistic activities and other vicious forms of competition; it calls for a social security system, for public investments, for a minimum guarantee of workers' rights in what may be called a dual or mixed economy. The theory of modified capitalism calls for the need for consumption and investment; in other words, the need for intervention by governments to create an effective demand. "But just as numerous economists advocating a free market economy refused, because of fear of inflation, to apply Keynesian remedies whenever a slight disturbance appeared in the economy, so did a number of socialists refuse to stop with Keynes at what may be called modified capitalism."[10] The socialists rejected Keynes`s modified capitalism because they felt it did not go far enough; they believed that there should be constant and direct government involvement in the economy, that means not only in bad times but also in

[10] Elisabeth L. Tamedly, *Socialism and International Economic Order* (Caldwell, Idaho: Caxton Publishers, 2007), 181-182.

normal and good times.

But obviously Keynesianism is closer to the intention of Catholic Social Teaching on economics and it is "fair to say that Keynesianism (managed economics) better represents the Church's intention to advance the social good than does unregulated economic individualism".[11]

1.3. NEOLIBERALISM

Neoliberalism developed following criticism of the intervention in economic affairs by national government and criticism of the emphasis on the function of a free market and private activity. It points out the failure of the Keynesian theory in its praxis of modified capitalism when Keynesians diluted the aims of *lassez-faire* economics. The Keynesian economic theory had provided the basis for economic policies of many nations, particularly those that have experienced the global panic and turmoil's after the First World War, the Great Depression, and the Second World War. The United States of America, Britain and other developed nations chose to modify their practice of free capitalism according to the Keynesian model (managed economy). This meant that governments would actively intervene to support an average income and full employment. The target of many of those governments was a welfare nation. Indeed the Keynesian theory advocates the government`s role like a relief pitcher in baseball. The government should interfere in economic issues when the national economy enters a depression. It should intervene through public expenditure, control of the amount of

[11] Michael D. Whitty, "Keynesianism" in *The New Dictionary of Catholic Social Thought*, ed. Judith A. Dwyer (Collegeville: Liturgical Press, 1994), 506.

money in circulation and establishing effective policies to stimulate demand and thus economic activities.

The application of the Keynesian economic theory coincided with capitalism's golden age in the 1950es and 1960es. However the 1970's oil shock and the following global panic, called for a counter-argument to the Keynesian theory as it was unable to solve the lengthy stagflation[12] which followed. This is why neoliberalism as an idea entered the economic and political scene.

The neoliberalistic economic theory consists in the strict observance of market principles, free competition, abolition of government regulations, industrial restructuring, abolition of public services, etc. The characteristics of neoliberalism are profit maximization, efficiency maximization, privatization of public enterprises, flexibility in the labor market, abolition of fixed real wages, reduction of welfare costs, etc.

Neoliberalism proposes free trade, a liberalization of the division of labor, and in effect, a globalization of economic activity. In other words, neoliberalism advocates to entrust even the social resources of a country to market principles; the theory behind is to promote an effective distribution of social resources by opening them up to free

[12] "Two of the major problems of macroeconomics are inflation and unemployment. Stagflation occurs when both are high at the same time. Neo-Keynesian economists believed that a trade-off existed between the two, since excess demand results in increased hiring but drives up prices; thus economic policies to reduce unemployment would likely cause inflation rates to rise. When stagflation hit, it was a blow to Keynesian economists. Beginning in the late 1960s, and particularly in the late 1970s, both inflation and unemployment rose simultaneously. British politician Iain Macleod coined the term "stagflation" in 1964, indicting periods when the economy was floundering while prices were rising sharply," Gary Giroux, *Business Scandals, Corruption, and Reform: An Encyclopedia* (Santa Barbara, Calif: Greenwood, 2013), 561.

market competition. The implementation of this idea is shown through WTO's efforts pressing countries for open markets. With the acceptance of neoliberalism, the Keynesian economic theory of full employment had to give way to an open and flexible labor market, and government controls had partially been moved to private control.

Some positive aspects have come out of this change. The *laissez-faire* economy through its high level of competition has solved a lot of inefficiencies in the marketplace, leading to nations with more economic competitive power. However, there are also considerable negative aspects that have arisen as a result.

During the period when Neoliberalism was practiced in South Korea the economy deteriorated significantly because of the application of neoliberal concepts of a small government and an open, flexible labor market. This type of economic policy led to the privatization of many public services and enterprises and the transfer of many jobs to other countries where wages were lower. The result was a mass shifting from contracted work arrangements to hourly paid work, and increased unemployment, especially among the young, a rise in household debt to meet daily needs, and increases in credit delinquencies and defaults. All of this has led to the collapse of the middle class and the elimination of the world of less-skilled workers. The income gap between the rich and the poor has resulted increasingly in a fierce polarization between these two social groups.

1.4. THE SPREADING OF NEOLIBERALISM

The growing mutual economic dependencies among nations has given rise to a global market. Each nation has different natural resources, such as agriculture and industrial products and every nation needs the other nation`s resources and products. Trade then is not a choice but necessity. If any country does not accept or adapt to the situation of global trade, this country will soon find itself economically isolated and life in that country might become more difficult. Additionally, the credibility of that government in the world financial market will decline as foreign capital will probably be withdrawn from that country. Resulting from that, an economic crisis will occur together with social and political problems. This type of pressure coming from the global market started historically with Thatcherism[13] in Britain and Reaganomics[14] in

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[13] "Those who see Thatcherism as an ideology fall into two categories. Tory 'wets', like Gilmour […] accused her of slavish adherence to monetarism, when traditional conservatism was rooted in pragmatism flexibility, compromise and common sense. Marxists who rarely think other than ideologically anyway, tend to see Thatcherism as an ideological campaign in the interests of the capitalist rich and powerful, to create new forms of political and cultural domination over the underprivileged. Debates about ideology, often politically motivated and intellectually sterile, should not be allowed to deny Thatcherism its visceral power. Thatcher had no difficultly identifying what she was against: state interference with individual freedom: state initiatives that encourage an ethos of dependency: woolly consensually: high levels of taxation: the propensity of both organized labour and entrenched professional interests to distort market forces: and a reluctance to be pushed around either personally or as a nation-state. In one sense, being against all of these implies that their obvious antitheses will guide policy: individual rights: private enterprise within a free market: firm perhaps authoritarian, leadership: low levels of personal taxation: union and vested interest bashing: simple patriotism," Eric J. Evans, *Making of the Contemporary World: Thatcher and Thatcherism Second Edition* (London: Routledge Publishing, 2004), 3.

[14] "Two basic presumptions underlie Present Reagan`s economic politics. First, improved economic welfare can be achieved by a reduction in the scope and power of the federal government. This presumption is, of course, the *sine qua non* of conservative economic thought, and it defines the "fundamentally different cause" to which Present Reagan referred. The old liberal "cause," in effect over much of the preceding fifty years, was based on the opposite view that government intervention in the private market system improves, rather than reduces, overall economic welfare. The second basic presumption of Reaganomics was that all the program`s goals could be achieved simultaneously, and according to some members of the administration, immediately. No trade-off between policy objectives was seen to exist: inflation could be controlled without recession, and could thus be reduced without jeopardizing near-term economic growth: increased economic growth would generate enough additional

the United of Stated of America.

Neoliberalism was accepted first in developed countries and then gradually in developing countries. It led to the increased creation and favoring of multinational corporations and various international economic organizations. Neoliberalism affected not only the economy but also the culture and politics through new developments in the field of information, communication, and transportation. The world has become smaller with very rapid exchanges of knowledge occurring between countries. This need for the interaction of trade, culture and politics is the basic condition for globalization. Neoliberalism is spreading through diverse areas of the world, but in every case this economic model requires foremost that capital is at the center and has to be maximized.

The response and critique to neoliberalism will follow in Chapter 3.1.

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revenue that the deep cut in tax rates would not lead to larger budget deficits: and economic growth in the private sector would more than people who lost benefits from cutbacks in social welfare programs," Charles R. Hulten and Isabel V. Sawhill (eds.), *The Legacy of Reaganomics Prospects for Long-Term Growth* (Washington: The Urban Institute, 1984), 1-2.

CHAPTER TWO: CONTEMPORARY CHALLENGES OF NEOLIBERALISM

2.1. GLOBALIZATION OF LABOR MARKETS

The environment, including the economic environment, of the global society is constantly changing. This has influenced not only the product output but also labor markets. Information and communication technology, and the digital economy, in particular, have greatly influenced the labor market by causing changes in work locations. In the past, financial capital and labor availability were important; however in the new information society more power can be achieved through property rights, information gathering, intangible assets and network ability. Global trade and services are already universalized in many parts. Product prices and production expenses are becoming lower and trade intervals have become shorter. Products are almost available to anyone in the world and companies can produce them in almost any country. It seems that trade has become more important than production, and the free flow of capital more important than trade. This capital flow among countries influences their labor markets. All of this is part of the neoliberal theory and practical implementation.

The change in the labor market is influenced by neoliberalism. In the 1970's, after the oil shock, most European countries created policies to protect their employees in order to solve unemployment problems. However these protectionist policies resulted in even higher unemployment. The OECD[15] then relaxed the rigidity of the labor market and the world of flexible labor market came into existence. Flexible labor market means that, in an economic depression companies can control employment according to economic needs, and workers are laid off to find and move to new jobs, and through the principle of competition, a new balance in the labor market is achieved. In fact, however, this flexibility did not lead to maintain balanced labor market.

The main effects of a flexible labor market are: 1) an increase in knowledge-based labor. The resulting knowledge-based society values intellectual labor more than physical labor, and intellectual work is rewarded more by the society while physical labor is devalued or even neglected. The wage differentials result in social polarization; 2) An expansion of flexibility in the labor market. Within the global consumer society any consumer can get almost any product or service from anywhere at competitive prices, therefore a company has to respond very quickly to consumer needs. Companies therefore need a flexible labor market. Unfortunately, with the influence of

[15] "OECD is neither a funding agency nor a program delivery agency. The key to OECD's role in promoting international economic cooperation lies in its continuous review of economic policies and trends in member countries. Draft reports on each member country's economic policies and performance are prepared by the Secretariat for vetting and discussion with its government before being addressed at the Economic Development and Review Committee. At that level, the concerned country is expected to respond to questions prepared by the Secretariat and other members. These review procedures usually lead to frank and open exchanges, often resulting in recommendations for policy changes. OECD also conducts studies of its own intended to enhance the design and to improve the coordination of policies for the management of economic growth, trade expansion, and development cooperation. One of the principal working committees of OECD is its Economic and Development Review Committee, which examines and monitors economic trends and policies in individual member countries. The Committee thus plays a leading part in the process of multilateral surveillance of economic policies within OECD. Subsequent to each examination, the Committee's country survey and policy conclusions are published. In practice, the economic surveys (and the biannual reviews of the OECD grouping) also present economic forecasts for the year/eighteen months ahead," Jean-H. Guilmette, *The Power of Peer Learning: Networks and Development Cooperation* (New Delhi: Academic Foundation, 2007), 105-106.

neoliberalism this flexible labor market requires further flexibility in employment arrangements, which now includes non-contract work, reduced benefits, outsourced production, and abrupt layoffs; 3) An increase in the number of people with unstable employment. Within the global economic system a company needs to restructure itself constantly to meet competition. One of the most common restructuring methods are changes in employment arrangements. And with constant movements of employees in and out of the company occurring, the fidelity (loyalty, devotedness) towards a company suffers greatly. That situation marks a huge change from traditional entrepreneurial systems with lifelong employment system.

The flexibility of the labor market puts the power in the hands of the management. The management now has the authority over wages, employment, welfare and other benefits. It can control these factors according to business fluctuations, without any agreement and consent from labor unions or governments. This is contrary to the idea of a flexible labor market as being beneficial to labor. Now workers have no choice but to accept any management decision. We find an increase in non-contractual work, an increase in unemployment, and a reduction of worker benefits. Over time, the quality of life will decline and social unrest will increase. This situation in the labor market has become dangerous for societies, because the value system in those societies has been fundamentally altered. Pope John Paul II warned about such developments in his Encyclical Letter *Laborem Exercens* 1987:

> In the modern period, from the beginning of the industrial age, the Christian truth about work had to oppose the various trends of materialistic and economistic thought. For certain supporters of such ideas, work was understood and treated as a

> sort of "merchandise" that the worker - especially the industrial worker-sells to the employer, who at the same time is the possessor of the capital, that is to say, of all the working tools and means that make production possible. This way of looking at work was widespread especially in the first half of the nineteenth century. The interaction between the worker and the tools and means of production has given rise to the development of various forms of capitalism - parallel with various forms of collectivism - into which other socioeconomic elements have entered as a consequence of new concrete circumstances, of the activity of workers' associations and public authorities, and of the emergence of large transnational enterprises. Nevertheless, the danger of treating work as a special kind of "merchandise", or as an impersonal "force" needed for production (the expression "workforce" is in fact in common use) always exists, especially when the whole way of looking at the question of economics is marked by the premises of materialistic economism.[16]

The global society and all actors have to get a more comprehensive understanding and just treatment of workers and their labor. We have to be constantly reminded of the basic principle in Catholic Social Teaching that "man is the source, the focus and the aim of all economic and social life."[17] I will further develop this response in Chapter 3.

2.2. GLOBALIZATION OF FINANCE SYSTEMS

We should not ignore one aspect of globalization which is financial globalization. The financial globalization process exerts the most powerful effect on the character of global economics and politics. Financial globalization means basically a free movement of capital. Before the globalization of finances most businesses were conducted in the currency of one's own country. However with today's increasing trade movements

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[16] Pope John Paul II, *Laborem Exercens* (Vatican City: Vatican Press, 1981), 7.

[17] Second Vatican Council, Pastoral Constitution *Gaudium et Spec* (Vatican City: Vatican Press, 1965), 63.

came increased activities in foreign currencies and other international financial transactions. Now the domestic financial market is thrown open for off-shore financial institutions to enter.

On the positive side, financial globalization allows financial institutions to allocate needed financial resources easily and to increase profitability through increased commissions; domestic financial institutions can establish branches overseas to support their domestic customers and domestic currencies can become internationalized. If a currency can become internationalized, such as the US Dollar, then there are many benefits to it, e.g.- it becomes easier to attract foreign capital.

> The underlying cause of speculative pressure was the serious overvaluation of these currencies, which were pegged to the dollar. When the dollar appreciated in the second half of the 1990s, their (USA) manufacturing sectors became uncompetitive. This coincided with the coming on stream of manufacturing capacity resulting from the earlier high rates of investment. This investment, which extended into speculative office building, was strongly encouraged by plentiful supplies of overseas finance. Firms and banks in these countries took on huge levels of debts, denominated in dollars. The real value of these debts, in terms of domestic production and exports, would rise in proportion to any decline in their currency`s value against the US dollar.[18]

On the negative side, the opening of financial globalization and of free capital movements has a strong influence on domestic economies and policies. It will make it difficult for a country to have control over its own financial and economic policies and practices. This disadvantage is particularly damaging for the poor in developing countries. Additionally, there is an uneven competition between domestic and foreign financial institutions for business, with profits typically flowing out to the more powerful foreign

[18] Andrew Glyn, *Capitalism Unleashed: Finance Globalization and Welfare* (New York: Oxford University Press, 2006), 73.

financial institutions. Pope John Paul II said 1987 that "The world monetary and financial system is marked by an excessive fluctuation of exchange rates and interest rates, to the detriment of the balance of payments and the debt situation of the poorer countries."[19] Also, with the financial globalization leading to a more and more free movement of capital, hot money[20] can enter a country, which can damage the domestic financial market - one example being derivatives.[21] As credit and currency from hot money is available to private companies, no one can be sure how long this availability will last.

In Neoliberalism the financial characteristics of a company are more important than the value of its products or its services. For example, the stock option market has allowed the brand name of a company to become a product in itself. Many advertisements today promote a brand name rather than the actual products themselves. For example, people will buy any kind of Louis Vuitton product just because it is Louis Vuitton. People are now investing in stock options, real estate, commodity futures in efforts to make money increase faster. The French economist Thomas Piketty said, that these efforts enable their

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[19] Pope John Paul II, *Sollicitudo Rei Socialis* (Vatican City: Vatican Press, 1987), 43.

[20] "The money that moves internationally from one currency to another either for speculation or because of interest rate differentials, and swings away immediately when the interest difference evaporates. A multinational company is likely to withdraw funds from a foreign country facing currency problems," Jae K. Shim and Joel G. Siegel and Marc H. Levine, *The Dictionary of Intentional Business Terms* (New York: Routledge, 2013), 147.

[21] Derivatives are "financial instruments such as options, futures, and swaps that are derived from their underlying securities and currencies. Their returns are tied to yields on these securities and currencies. These instruments are used by firms to hedge their risks from swing prices or fluctuations in interest or currency exchange rates. They also can be used for speculative purposes, that is, to make a risk bet on market movements," *ibid.*, 83.

capital to grow significantly faster than the overall economy. Money increases faster from money than from the use of labor. This situation, however, gave rise to grave inequality and instability in the global system.

Financial globalization started around 1979 in the United States of America and around 1982 in Britain, because these two countries had the most developed economies. Other countries followed soon after. As result of neoliberalistic economics and monetary policies, interest rates and currency availability and control were relaxed. Financial globalization has now been accepted by many countries as fact. But unfortunately this has resulted in polarization within societies in many countries, and also in our global world. Often, investors want to put their money into developed economies. Therefore rich countries become richer and poor countries become poorer through the selective process of regional investment and overall capital flows. A World Bank Police Research Working Paper describes this process in the following:

> Within a single country, society tries in principle to limit the advantages that accrue to people born in rich families. This includes having access to better education and health, to powerful friends and private information, and of course to greater wealth. Society tries to limit these inherited advantages by either taxing wealth or making education, health etc. available to all regardless of their income level. But what is the case in the global world? The situation is, at one level, very similar. There are rich countries that have accumulated lots of wealth, and transmit that wealth, along with many other advantages, to the next generations of their citizens. This is why, for example, the poorest Americans are relatively well off by world standards. They are lucky to have been born in the country that is rich (or has become rich; the case was different with the poorest Americans in the 17th century). And there are also people from poor countries who do not have wealth, and advantages and opportunities it confers. But–and this is in stark difference to the within-country case–this is considered unobjectionable, or rather it is not questioned whether one may keep on benefiting from something that the previous generations have created and she has simply inherited by virtue of birth. In one case, we frown upon the transmission of family acquired wealth to offspring’s if two different individuals

belong to the same nation.[22]

In addition, interest rates are decided by credit ratings which in turn are determined by the amount of capital possessed by countries and companies. Wealthier countries and companies can borrow capital at advantageous interest rates which are not available to poor countries and companies. There is the need for a just balance within the global financial system. Financial globalization has both positive and negative aspects, but the negatives are more serious because of the many problems they cause in today's global society.

2.3. PRIVATIZATION OF PUBLIC SERVICES AND ENTERPRISES

In modern times there have been a lot of arguments over the role a government should play in the national economy. The two main questions were whether the government should free up market operations and about the role of the government in the development of a free market society. The present economic theory states that reducing the role of the government will be beneficial for the economy, which became known as the paradigm of Neoliberalism.

In the global society, in which we are living today, each nation has its own set of unique conditions, for example, conditions related to the natural resources, the legal system, demographics, and conditions related to the basic technological and political relationships with other countries. This means already that the paradigm of reduced

[22] Branko Milanovic, *Global Income Inequality by the Numbers: In History and Now* (The World Bank Development Research Group Poverty and Inequality Team, Policy Research Working Paper 6259, 2012), 25-26.

government cannot be fully applied because the local context can be very different. Nevertheless often unconditional privatization of public services is advocated in today's neoliberal economic theory and practice. The privatization of public services must not be bad in all cases; however major problems occur when that theory is pushed by the more powerful global organizations and developed nations on to developing and poorer nations. There are many disputes over the issue of privatization of public services.

> Privatization is the shifting of a function, either in whole or in part, from the public sector to the private sector. Increasingly privatization is being examined by government officials as a strategy for improving public policy. Through some combination of changing ownership of functions in society, introducing competition from the private sector, and allowing consumer choice through vouchers and other approaches privatization may be able to achieve some public purpose more effectively more efficiently and more accurately. That is the basic argument for privatization.[23]

Those who agree to the privatization of public services and enterprises hold the opinion that the government should not run public enterprises at all. That means they believe that the private sector can manage public enterprises more efficiently than the government can do. Privatization of public enterprises reduces unnecessary expenses, increases the efficiency in resource distribution, reduces overall costs and encourages development of high technical skills and innovative thinking.

There are public enterprises which are operated for political reasons; these tend to be against competition and the free market. In other words, such public enterprises are effectively monopolies.

Those who disagree to the privatization of public enterprises point to the danger of

[23] Willian T. Gormley, Jr. (ed.), *Privatization and its Alternatives* (Wisconsin: University of Wisconsin Press, 1991), 17.

increased costs affecting public services such as gas, electricity and water supply, healthcare, public transportation etc. They say privatized enterprises will pursue profits first, resulting in price increases and often in a decrease of service quality. Additionally, it would bring employment instability through staff reduction. In the drive to maximize profits the less fortunate will not be cared for, and they can become even second-class citizens.

> Usually privatization will involve immediate job losses since the introduction of more capital intensive techniques in a period of slow growth - a characteristic of the general setting in which many privatization exercises take place - will lead to less demand for labor. In these cases the direct employment effects depend on the bargaining power of the workers in the privatized enterprise (Edgren, 1990). The employment effects for workers in the rest of the economy are limited. Growth in employment in privatized enterprises can be expected over the longer run, stemming from a supposed increase in their profitability which might result in more investment and greater labor demand.[24]

Both opinions cannot be applied absolutely to the cases of privatization because different nations and different public enterprises have different conditions, situations and social structures. These different contexts have to be taken in account. There are also models of efficient management of public enterprises to consider; examples of success cases include Singapore Airlines, Volkswagen in Germany and Renault in France in which the respective governments are the dominant stockholders. Also many public transport systems in major cities are under the responsibility of municipal governments and work often economically efficient and quite successful and satisfactory to the public.

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[24] Rolph Van der Hoeven and Gyorgy Sziraczki (eds.), *Lessons from Privatization: Labour Issues in Developing and Transitional Countries* (Geneva: International Labour Office, 1997), 8.

On the other hand, there are successful models of privatization of public enterprises, such as the Deutsche Post in Germany, and in Japan the National Railroad. Examples of failure of privatization of public enterprises are the water supply in Bolivia, healthcare system in United States of America and the railway system in Britain. The cases of water supply and healthcare coverage were serious enough to become documented on film. When the Bolivian government needed to borrow money from the IMF, the organization asked the government to privatize its public enterprises. Bolivia then sold its water supply by contracting just one US company, Bechtel, giving it in fact a monopoly. Bechtel later on raised prices and citizen rioting took place. The Bolivian government then brought a lawsuit against Bechtel to the International Centre for Settlement of Investment Dispute. Finally the lawsuit was withdrawn and Bolivia's water supply became a public enterprise again.

> In Bolivia, for example the privatization of water supplies proposed by the IMF as part of its structural adjustment caused such large price increases that there were serious riots in 2000 in Cochabamba. These caused Bechtel, an American water company, SUEZ, has started to pull out of various South American countries after prolonged rioting and violence. Bolivia officials took SUEZ to task for failing to connect enough households to water supplies to meet its contractual obligations. It found itself having to charge up to US $ 55 per household. This was more than three times a lower-middle-class wage. According to *Mercury News*, since water is a basic human right and it is expensive to mediate the supply while not heavily charging individual consumers, there is simply no logical way of making a profit out of it. Like such public services as health and schooling it is not a fit vehicle for private enterprise.[25]

What is the purpose of a public enterprise? It should be engaged in providing for the public good. This is different from a private enterprise. The primary interest and goal of

[25] Theodore Harney Mac Donald, *The Global Human Right to Health: Dream or Possibility?* (Oxon: Radcliffe Publishing, 2007), 43-44.

a public enterprise is not the same as in a private enterprise because it touches much higher levels of responsibility and stability in a society. However free market competition also can contribute to the public interest. The important issue is not whether public enterprises or privatized public enterprises are the correct way for progress, but when and how a public enterprise should be privatized. The present economic trend is to push untimely for privatization of public enterprises through a short-sighted neoliberalistic paradigm of global organizations. In actual fact, developing nations grew their economy through government-led industrial and commercial activities. Nevertheless many developed nations, working through global organizations, continue to unduly press other nations to privatize their public enterprises.

As mentioned before, there is no absolute good or evil to public enterprises or to the privatization of public enterprises. A public enterprise can have the risk of poor performance by the government. Additionally, no economic activity can escape the influence of politics; for example the setting of laws, prices, wages and interest rate are all influenced by politics.

> The commercial nature of the outright privatization model may however limit government's freedom both to influence the way in which the industry itself develops, and also the extent to which government can ensure that services are made available to those sections of society where although there is a social need, the demand for the service is insufficient to ensure that it can be supplied at an economic price. A typical example in the telecommunications sector commonly concerns the provision of telecommunications facilities as a public service to outlying or remote consumers for example rural farmers or small isolated communities where the full cost of providing the service may be prohibitive. Whilst it is possible for government to undertake a certain amount of social engineering and to provide some support for such consumers through its regulatory frameworks,

> such moves are likely to be actively resisted by service providers unless government provides some form of subsidy.[26]

Above viewpoint, of course, is limited and denies the fact that everybody can come into the situation to need telecommunication services in very remote area. A pragmatic approach is needed for the successful privatization of public enterprise in each of above mentioned cases. There are four ways to the privatization of public enterprises: 1) A divestiture by the government and the enterprises are established as, or changed to new corporations. Later on the stock of the corporation is divested and sold to private parties as capital. Then the government enterprise will be privatized. If that business is a monopoly, then the authority to oversee it should be left to the government. 2) To sell the business or the business assets to an established private enterprise. If that business is a monopoly the authority to oversee the operations is left to the government. This is different to a divestiture. In a divestiture many investors can buy stocks, but in the second case the sale goes to a particular enterprise or enterprise group. 3) The government outsources the management of its operation to an outside party. 4) The government leases the operation to an outside party for a stated number of years.

In the history of the development of nations, governments led and supported businesses, both public and private. Private enterprises needed government support to help them grow domestically and internationally. This support involved financial assistance and political influence. Later on, as economies grew and further developed, private enterprises come to believe they were able to manage also public services.

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[26] A. J. Smith, *Privatized Infrastructure: The Role of Government* (London: Thomas Telford Publishing, 1999), 65.

Nevertheless, privatized public enterprises still carry risk elements. The owner of any private business, who wishes to acquire a sound enterprise, does so for profit reasons. Therefore, when these owners look to acquire troubled public enterprises they will ask the government for favorable terms in order to ensure a profit, most often requesting a monopoly position. Most public enterprises are large operations making them difficult to compete against. Such kinds of enterprises are essentially a monopoly because there is no free market competition; once it is privatized, the enterprise will not concern itself very much to deliver good public services. Pope Pius XI warned about the dangers of monopolies in his Encyclical Letter *Quadragesimo anno*:

> In the first place, it is obvious that not only is wealth concentrated in our times but an immense power and despotic economic dictatorship is consolidated in the hands of a few, who often are not owners but only the trustees and managing directors of invested funds which they administer according to their own arbitrary will and pleasure. This dictatorship is being most forcibly exercised by those who, since they hold the money and completely control it, control credit also and rule the lending of money. Hence they regulate the flow, so to speak, of the life-blood whereby the entire economic system lives, and have so firmly in their grasp the soul, as it were, of economic life that no one can breathe against their will. This concentration of power and might, the characteristic mark, as it were, of contemporary economic life, is the fruit that the unlimited freedom of struggle among competitors has of its own nature produced, and which lets only the strongest survive; and this is often the same as saying, those who fight the most violently, those who give least heed to their conscience.[27]

When a government enterprise is privatized, many groups may benefit. Actually the first group will be the ones who are able to subscribe to the new shares, and sell them to take short term profits. Then there are the financial companies who earn commissions for handling the privatization process. On the other hand, much damage

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[27] Pope Pius XI, *Quadragesimo Anno* (Vatican City: Vatican Press, 1931), 105-108.

can be done to labor groups when they lose good wages and union protection. That is why there is an important need for a clear government role. Governments should be concerned about the conditions and processes related to the privatization of public enterprises.

In the following are some points to consider regarding the privatization of public enterprises. The U. S Catholic Bishops wrote about this issue in their statement *Economic Justice for All* 1986:

> Government should not replace or destroy smaller communities and individual initiative. Rather it should help them to contribute more effectively to social well-being and supplement their activity when the demands of justice exceed their capacities. This does not mean, however, that the government that governs least governs best. Rather it defines good government intervention as that which truly "helps" other social groups contribute to the common good by directing, urging, restraining, and regulating economic activity as "the occasion requires and necessity demands." This calls for cooperation and consensus building among the diverse agents in our economic life, including government. The precise form of government involvement in this process cannot be determined in the abstract. It will depend on an assessment of specific needs and the most effective ways to address them.[28]

2.4. INEQUALITY AND POLARIZATION

At present, neoliberalism has increased the polarization in societies through unfettered competition and the loss of people-oriented values. This has increased the inequality between rich and poorer nations, and between the rich and the poor people within a nation. In many cases, the middle class is disappearing and a diamond-shaped configuration of a stable economic society is being replaced by a pyramid-shaped

[28] David J. O`Brien and Thomas A. Shannon, *Catholic Social Thought: The Documentary Heritage* (New York: Maryknoll, 1995), 608.

configuration.

> [T]he shape of inequality varies greatly from society to society. America and certain European societies tend to distribute wealth in ways that create middle classes. The class structure of modern, or highly industrial, societies assumes a diamond shape. Relatively few people are at the top and the bottom of this structure, most people are at the middle. We must be careful here to realize that while, in these societies, the majority of people are of middle income, this does not mean that most of the wealth of the society is controlled by most of the people. "Middle class" societies are often societies in which a relatively few people possess much of the wealth of society. So the model of class can assume different shapes, from a low profile diamond to a tall pyramid structure. Sweden represents the former and Japan the latter. In Japan, for example only about a third of the workforce is employed by large corporations like Nissan and Sony. While it is true that these corporations provide job security and a robust middle class existence for most of their employees, most Japanese workers labor in small, family, or independently owned and operated shops whose fate is linked directly to the fate of the large corporations. Workers in these small shops manufacture goods for the corporations' small parts for automobiles or components for electric appliances. They do not have cradle to grave job security nor do they enjoy the high wages of union representation. They make up a large working class segment of Japan, and their numbers bulge the lower proportion of the diamond-shaped class structure of this industrial society.[29]

When a nation`s economy grows, its GNP (Gross National Product) increases, and the quality of life should improve. This would be a positive aspect of globalization. However, in many cases the "Gini Coefficient,"[30] which measures the gap between the highest and lowest income groups, is also increasing. That means the rich are becoming

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[29] Jeffrey E. Nash and James M. Calonico, *Institutions in Modern Society: Meanings, Forms and Character* (New York: Ravi Mehra, 1993), 127.

[30] "The Gini Coefficient is a number between 0 and 1. At one extreme, the Gini Coefficient equals 0. If the numerator in the equation is 0, which means there is no area between the line perfect income equality and the actual Lorenz curve, implying that they are the same. Thus a Gini Coefficient of 0 means perfect income equality. At the other extreme, the Gini Coefficient equals 1 if the numerator in the equation is equal to the denominator. If this is the case, the actual Lorenz curve is as far away from the line of perfect income equality as is possible. Thus a Gini Coefficient of I means complete income inequality," Roger A. Arnold, *Economics*, 11th edition (Illinois, South Western: Cengage Learning, 2014), 664.

richer and the poor poorer. This polarization is multifaceted and multi-structural, and does not just consist in differences of salaries and incomes. This polarization occurs between enterprises and individuals and between major companies and small businesses, and extends to different attitudes among individuals. In the labor market polarizations are occurring between full-time workers and temporary workers.

The theory of neoliberalism is that the economy can achieve high growth if it is deregulated and if the economic moves from being labor based to being finance based. Then when the enterprises are running well, some benefits resulting from economic growth can be transferred to the labor force and families through the "trickle-down effect."

> Some economist have spoken of a "trickle-down" effect, meaning that some get rich first after which parts of this wealth trickle down to the poor as the rich spend and invest. This description may evoke the image of a poor man getting the crumbs that fall from the rich man's table, but this is a completely mistaken picture of the true effect of growth. On the contrary, what happens is that the poor benefit from growth to roughly the same extent and at the same speed as the rich. They benefit immediately from an increase in the value of their labour and from greater purchasing power. No country has ever succeeded in reducing poverty without having long-term growth. Nor is there any case of the opposite that is of a country having had long-term, sustainable growth that didn't benefit the poor population. Still more interestingly, there is no instance of a country having had steady levels of growth in the long term without opening up its markets. The World Bank's World Development Report 2000/2001 contained a good deal of rhetoric about growth not being everything and not being sufficient for development rhetoric influenced, no doubt, by the growth of the anti-globalization movement. But that report own tables show that the higher a country's growth has been in the past 20 years, the faster it has reduced poverty, infant mortality and illiteracy had actually increased. It may be that growth in itself is not sufficient to bring good development for everyone, but growth is manifestly necessary.[31]

[31] Johan Norberg, *In Defense of Global Capitalism*. Foreword by Bibek Debroy (New Delhi: Liberty Institute, 2005), 83-84.

Pope Francis talked highly critically about the trickle-down effect in his exhortation *Evangelii Gaudium*:

> In this context, some people continue to defend trickle-down theories which assume that economic growth, encouraged by a free market, will inevitably succeed in bringing about greater justice and inclusiveness in the world. This opinion, which has never been confirmed by the facts, expresses a crude and naïve trust in the goodness of those wielding economic power and in the socialized workings of the prevailing economic system. Meanwhile, the excluded are still waiting. To sustain a lifestyle which excludes others, or to sustain enthusiasm for that selfish ideal, a globalization of indifference has developed. Almost without being aware of it, we end up being incapable of feeling compassion at the outcry of the poor, weeping for other people's pain, and feeling a need to help them, as though all this were someone else's responsibility and not our own. The culture of prosperity deadens us; we are thrilled if the market offers us something new to purchase. In the meantime all those lives stunted for lack of opportunity seem a mere spectacle; they fail to move us.[32]

The talk about a "trickle-down" effect can be a cheap excuse to avoid necessary policy changes in a society, which could prepare the way for a more equal, just and harmonious society.

Deregulation increases the gap among economic subjects and makes polarization inevitable. The deregulation of enterprises and the opening of financial markets have also caused to develop bubble economies in recent times. And the drive for flexible labor markets increased unemployment and poverty. The World Bank Development Research Group Poverty and Inequality Team expresses in its Report *Inequality is Bad for Growth of the Poor: But not for that of the Rich* (July, 2014) the following thoughts regarding the issue of inequality:

> Alike ethnic fragmentation that creates horizontal cleavages between the groups, income fragmentation creates vertical cleavages between the poor, middle class and

[32] Pope Francis, *The Joy of the Gospel* (Vatican City: Vatican Press, 2013), 46.

> the rich. These cleavages particularly strongly, and negatively, affect the poor. High inequality among the rich means that some of them must be extremely rich. This might promote social separatism whereby the rich prefer to opt out of publicly funded and publicly-provided education, health, urban infrastructure and other services because their private equivalents may be of better quality and signal the wealth and power of those who can afford them. One example of this is the vastly different preferences of the rich (top 1%) and the rest of the population when it comes to the cuts in Medicare, education and infrastructure spending as a way to reduce federal deficit; according to the survey date reported by Bartels and Seawright (2011), 58% of the rich are in favor of the cuts versus only 21% among the rest of the population. This in turn means that the poor, especially the bottom decile, may find it harder to escape poverty because with rich's lack of interest in public health and education, the quality of the services deteriorates while the poor are often fully dependent on them. It is a model of society sketched by Benabou (2000) where high inequality, combined with credit constraint and influence of the rich on the political process, results in a steady-state of low government spending and persistent high inequality.[33]

This type of inequality creates social separatism. Is globalization causing the polarization to become more serious between the rich and the poor, both within a country and between the rich and the poor nations? Or is globalization decreasing the level of overall inequality and fostering a closer union between the rich and the poor nations by supporting development? This is a difficult question to answer. The FAO states that world hunger was reduced from 1970 to 1995, but increased later on from 1997 to 2009:

> The Millennium Development Goals, which had broad global agreement in 2000, included halving the numbers of people suffering from hunger by 2015. Yet despite successes in a few countries, the world has not been on track to meet this goal since well before 2000. The numbers of people who are hungry have actually increased since 1995-1997 rather than decreased (Figure 1). The United Nations Food and Agriculture Organization (FAO) estimates that in 2009, 1.02 billion people are undernourished worldwide (Figure 2) – more hungry people than at any time since 1970 and a steep worsening of conditions that were present even before the global

[33] Branko Milanovic, Roy van der Weide, *Inequality is Bad for Growth of the Poor: But not for that of the Rich* (The World Bank Development Research Group Poverty and Inequality Team, Policy Research Working Paper 6963, 2014), 22-23.

> economic crisis that started at the end of 2007. Hunger and high food prices have led to massive public protests and put 39 countries on FAO's list of countries in crisis requiring external assistance or facing unfavorable prospects for current food crops.[34]

That report also shows that this issue was not a problem of food production but rather of policies and distribution on the local, regional and international level. If the politics of globalization would be fair or right, world hunger would have been further reduced. One of the main reasons for increased world hunger is the rise in food prices. There are many reasons for instance why the price of food has increased by so much. During the past few years rice, wheat, corn and bean prices have increased double. Josette Sheeran, the eleventh Executive Director of the United Nations World Food Programme (WFP) said in April 2007, that there are new faces appearing among the hungry. Those who used to have enough money are now also among these faces because of the food price increases. The *International Federation of Red Cross and the Red Crescent Societies* agree to this fact according to the following statement:

> There has been progress in feeding more people than ever before even as the world's population has grown by around 50 percent since the mid-1970s. Even so, the number of undernourished people in the world was higher in 2010 - 925 million according to the Food and Agriculture Organization of the United Nations (FAO) - than in the early 1970s (FAO, 2011a) there was a record peak of more than 1 billion hungry people in 2009 following dramatic food price rises in 2007-2008. This figure subsequently decreased, but at the time of writing, prices are rising and the number of hungry people looks likely to increase again.[35]

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[34] Molly D. Anderson, Agribusiness Action Initiatives (AAI), Alexandra Spieldoch IATP/AAI-North America and Myriam Vander Stichele SOMO/AAI-Europe (eds.), *A Question of Governance: To Protect Agribusiness Profits or the Right to Food?* (AAI Agribusiness Action Initiatives, 2009), 1.

[35] Lindsay Knight (ed.), *World Disasters Report: Focus on Hunger and Malnutrition* (Lyons: Imprimerie Chirat, 2011), 12.

This inequality comes from the disregard of the common good and of human dignity and is one of the frequent destructive effects of a wrong form of globalization. Even, the former chief economist of the World Bank, Josef E. Stiglitz, comes admittedly to the following conclusion in his analyses of inequality in a society:

> The failures in politics and economics are related, and they reinforce each other. A political system that amplifies the voice of the wealthy provides ample opportunity for laws and regulations - and the administration of them - to be designed in ways that not only fail to protect the ordinary citizens against the wealthy but also further enrich the wealthy at the expense of the rest of society. Given a political system that is so sensitive to moneyed interests, growing economic inequality leads to a growing imbalance of political power, a vicious nexus between politics and economics. And the two together shape, and are shaped by, societal forces - social mores and institutions - that help reinforce this growing inequality.[36]

So far there is actually no real and fair competition in global markets. Prices of commodities such as grains and metals are determined either by commercial cartels or by the more powerful members of international organizations such as the WTO. This has led to speculation, cornering of markets and hoarding. Presently, the neoliberal form of capitalism discourages food production in poor countries and compels them to actually reduce their own food production by forcing them to open their markets for imports. As a deploring result of this situation, many poor countries will see their own agricultural base as a result damaged. This increases their vulnerability and food in-security. According to Dominique Strauss-Kahn, globalization has it’s a dark side when he writes:

> But globalization also had a dark side. Lurking behind it globalization was a large

[36] Joseph E. Stiglitz, *The Price of Inequality: How Today`s Divided Society Endangers Our Future* (New York: Norton Paperback, 2013), l-li.

> and growing chasm between rich and poor especially within countries. An inequitable distribution of wealth can wear down the social fabric. More unequal countries have worse social indicators and poorer human development records, and higher degrees of economic insecurity and anxiety. In too many countries, inequality increased and real wages stagnated falling to keep up with productivity over the past few decades. Ominously inequality in the United States was back at its pre Great Depression levels on the eve of the crisis. In our globalized world, if the benefits of growth are not widely shared, we could see a backlash against openness and cooperation and a retreat to economic nationalism. Especially in poorer countries it can lead to instability, a breakdown in democracy and even war. We stand on the threshold of a new era. We cannot turn our back on openness and globalization, but we need a new globalization for a new world, a globalization with a human face, where people come first, and where growth and equity always go together. We must rely on the market for growth, but the invisible hand must not become the invisible first.[37]

There are ways to reduce the polarization within societies and on the global level: 1) we need to focus on preventing the further deepening of income inequality and try to reduce it. For this goal the restoration of the middle classes is important, because an improved structure of wealth distribution in a diamond-shaped form within societies creates a more stable society. Restoration of the middle does not mean increasing social welfare. There will be a continuing need to create employment so that there is economic growth and increased income. 2) We need to guarantee equal opportunities for the socially disadvantaged, which is first a society's political responsibility. The major cause of income inequality is education; therefore we need to equalize educational opportunities and strengthen both public and private education. 3) We need to promote labor market policies to allow for flexibility in the labor market but with proper safety nets for workers. Union membership should be open to non-contract workers so that the gap of income distribution can be reduced. We need to provide

[37] Dominique Strauss-Kahn, Managing Director, International Monetary Fund, *Human Development and Wealth Distribution* (Agadir IMF External Relations Department, November 1, 2010).

training for workers to increase their skills, so that they are better prepared for changes in companies and societies and may become more satisfied and productive.

Pope Pius XI wrote about the necessity of equality and fair distribution in societies in his Encyclical Letter *Quadragesimo Anno* 1931. His sentences summarize very well this chapter and are today even of high actual relevance on the global level:

> Wealth therefore, which is constantly being augmented by social and economic progress, must be so distributed amongst the various individuals and classes of society that the needs of all, of which Leo XIII spoke, be thereby satisfied. In other words the good of the whole community must be safeguarded. By this principle of social justice, one class is forbidden to exclude the other from a share of the benefits. This principle is violated by those of the wealthy who, practically free from care in their own possessions, consider it perfectly right that they should receive everything and the worker nothing; it is violated also by those of the proletariat who demand for themselves all the fruits of production, as being the work of their hands. Such men, vehemently incensed by the violation of justice, go too far in vindicating the one right of which they are conscious they attack and seek to abolish all forms of ownership and all incomes not obtained by labour, whatever be their nature or whatever social function they represent, for the sole reason that they are not obtained by labour. Each of one therefore must receive his due share, and the distribution of created goods must be brought into conformity with the demands of the common good or social justice. For every sincere observer is conscious that on account of the vast difference between the few who hold excessive wealth and the many who live in destitution, the distribution of wealth is to day gravely defective.[38]

[38] Pope Pius XI, *The Social Order: Quadragesimo Anno* (London: Catholic Truth Society, 1960), 57.

CHAPTER THREE: THE PROPHETIC ROLE OF THE CATHOLIC CHURCH FOR INTEGRAL HUMAN DEVELOPMENT AND GLOBAL SOCIAL JUSTICE

3.1. CRITIQUE OF NEOLIBERLISM IN CATHOLIC SOCIAL TEACHING

The Church preaches the Gospel in today's societies openly in fulfillment of her prophetic role. The Church's concerns about social justice is earnest and took a first concrete form in Pope Leo XIII`s famous Encyclical Letter *Rerum Novarum* 1891. That was a new approach in the teaching on social issues and marks the first detailed modern contribution to the social doctrine of the Catholic Church as response to new challenges (*Rerum Novarum* means "New Things").

The Industrial Revolution was one major new issue which gave rise to capitalism involving not only positive aspects but also negative ones. Among the negative issues among others is that the human dignity and the human rights lost their position compared to the capital. The industrial revolution made a few entrepreneurs very rich and exploited a new class of industrial laborers. Pope Leo XIII`s teaching showed a new way to understand developments in the modern society. His suggested solution was the reasonable intervention of the government and the protection and fosterage of labor unions to safeguard the dignity and rights of workers. Pope Leo XIII stressed the role of the Church in this "just struggle" for the common good and calls governments to help to solve economic and social ills and problems in view of the common good; however, the intervention of the government must be just and respect the principle of subsidiarity. Pope Pius XI comments to Pope Leo XIII's initiative forty years later:

> With regard to civil authority, Leo XIII, boldly breaking through the confines imposed by Liberalism, fearlessly taught that government must not be thought a mere guardian of law and of good order, but rather must put forth every effort so that "through the entire scheme of laws and institutions [. . .] both public and individual well-being may develop spontaneously out of the very structure and administration of the State." Just freedom of action must, of course, be left both to individual citizens and to families, yet only on condition that the common good be preserved and wrong to any individual be abolished. The function of the rulers of the State, moreover, is to watch over the community and its parts; but in protecting private individuals in their rights, chief consideration ought to be given to the weak and the poor. "For the nation, as it were, of the rich is guarded by its own defenses and is in less need of governmental protection, whereas the suffering multitude, without the means to protect itself relies especially on the protection of the State. Wherefore, since wageworkers are numbered among the great mass of the needy, the State must include them under its special care and foresight."[39]

Any government has the duty to protect the life and property of its people and also to uphold the social order. Above all the government must be concerned for the common good and find the right balance of regulation and interference into the market economy. Human living conditions are closely linked to economics, and economics is affected and shaped by political decisions. Political actions should foster harmony in the society and overall well-being for everybody. This is the main role of the government.

Within the neoliberal theory, politics is ultimately controlled by economics, that means a neoliberal form of economics dominates not only the economy itself but even politics and thus all other parts of the society. According to the neoliberal theory, deregulation and free competition stimulates human beings to value making profit

[39] Pope Pius XI, *Quadragesimo Anno* (Vatican City: Vatican Press, 1931), 25.

(benefits). But this inversion of basic human values in life can bring grave confusion into a society what in fact happens in many cases and places globally today, also Pope Paul VI 1967 criticizes unbridled profit seeking in the liberal manner:

> However, certain concepts have somehow arisen out of these new conditions and insinuated themselves into the fabric of human society. These concepts present profit as the chief spur to economic progress, free competition as the guiding norm of economics, and private ownership of the means of production as an absolute right, having no limits nor concomitant social obligations. This unbridled liberalism paves the way for a particular type of tyranny, rightly condemned by Our predecessor Pius XI, for it results in the "international imperialism of money." Such improper manipulations of economic forces can never be condemned enough; let it be said once again that economics is supposed to be in the service of man. But if it is true that a type of capitalism, as it is commonly called, has given rise to hardships, unjust practices, and fratricidal conflicts that persist to this day, it would be a mistake to attribute these evils to the rise of industrialization itself, for they really derive from the pernicious economic concepts that grew up along with it. We must in all fairness acknowledge the vital role played by labor systemization and industrial organization in the task of development.[40]

Paul VI reflects a balanced view of developments in modern technological societies. He clearly distinguishes the rise of industrialization from negative economic concepts accompanying it. Development has to serve man and indeed all men. Today an unbridled liberal economy threatens humans' life and dignity in many parts of the world. Particularly when people get separated from their own property and become deprived of all their own means of property and social security.

Applied neoliberalism polarizes societies into different classes and the overall inequality becomes more serious. Neoliberalism and Marxism share a similar ideology in that way that both systems exercise a totalitarian control over the people. Marxism exercises control through a one party system while neoliberalism exercises control

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[40] Pope Paul VI, *Populorum Progressio* (Vatican City: Vatican Press, 1967), 26.

through an absolute understanding and application of capital. "Liberal capitalism is an industrial policy that turns workers into instruments or objects and at the same time an ideology that understands the human being, the worker, in purely economic terms. In its own way, this ideology is as economistic and materialistic as Marxism."[41]

Chief among neoliberal ideas is deregulation to support the free market competition. In that way many countries have suffered when they changed their economic policies to comply with free trade policies in a free market. Even though when new rules and laws were enacted, these are determined by global organizations rather than by individual governments. As the neoliberal ideology is not concerned about the value of a human being, or the culture and treasures of each country, it resembles clearly a form of totalitarianism. Pope Paul was worried about this ideology and pressed to discern it to avoid disastrous consequences;

> While, through the concrete existing form of Marxism, one can distinguish these various aspects and the questions they pose for the reflection and activity of Christians, it would be illusory and dangerous to reach a point of forgetting the intimate link which radically binds them together, to accept the elements of Marxist analysis without recognizing their relationships with ideology, and to enter into the practice of class struggle and its Marxist interpretations, while failing to note the kind of totalitarian and violent society to which this process leads. On the another side, we are witnessing a renewal of the liberal ideology. This current asserts itself both in the name of economic efficiency, and for the defense of the individual against the increasingly overwhelming hold of organizations, and as a reaction against the totalitarian tendencies of political powers. Certainly, personal initiative must be maintained and developed. But do not Christians who take this path tend to idealize liberalism in their turn, making it a proclamation in favor of freedom? They would like a new model, more adapted to present-day conditions, while easily forgetting that at the very root of philosophical liberalism is an erroneous affirmation of the autonomy of the individual in his activity, his motivation and the exercise of his liberty. Hence, the liberal ideology likewise calls for careful

[41] Gregory Baum, "Laborem Exercens", *The New Dictionary of Catholic Social Thought*. Edited by Judith A. Dwyer (Collegeville, Minnesota: Liturgical Press, 1994), 531.

discernment on their part.[42]

Basically Paul VI says that there is a wrong thinking at the core of the liberal ideology. Man is seen as being totally independent of all others and of society. This thinking does not match up to the real nature and facts of life. Neoliberalism is one application of this wrong thinking in economic and political life. And it is a an application with very serious and disastrous consequences. It is similar to Marxism because both concepts are actually forms of totalitarianism. In its form of totalitarianism neoliberalism is used by powerful and advanced countries to dominate developing countries. Within neoliberalism the liberal idea is being used by powerful countries to restrain poorer countries and to maintain control over the economy and life in poorer countries without having to start a war. Under the umbrella of capitalism the neoliberalistic concept has spread and has inflicted harm, injustice and abuse. Pope John Paul II was worried about both liberalism and Marxist collectivism as an ideology for societies. In his famous Encyclical Letter on *Human Work* he writes:

> This conflict, interpreted by some as a socioeconomic class conflict, found expression in the ideological conflict between liberalism, understood as the ideology of capitalism, and Marxism, understood as the ideology of scientific socialism and communism, which professes to act as the spokesman for the working class and the worldwide proletariat. Thus the real conflict between labour and capital was transformed into a systematic class struggle, conducted not only by ideological means but also and chiefly by political means. We are familiar with the history of this conflict and with the demands of both sides. The Marxist programme, based on the philosophy of Marx and Engels, sees in class struggle the only way to eliminate class injustices in society and to eliminate the classes themselves. Putting this programme into practice presupposes the collectivization of the means of production so that, through the transfer of these means from private hands to the collectivity, human labour will be preserved from exploitation. This is the goal of

[42] Pope Paul VI, *Octogesima Adveniens* (Vatican City: Vatican Press, 1971), 34-35.

> the struggle carried on by political as well as ideological means. In accordance with the principle of "the dictatorship of the proletariat", the groups that as political parties follow the guidance of Marxist ideology aim by the use of various kinds of influence, including revolutionary pressure, to win a monopoly of power in each society, in order to introduce the collectivist system into it by eliminating private ownership of the means of production. According to the principal ideologists and leaders of this broad international movement, the purpose of this programme of action is to achieve the social revolution and to introduce socialism and, finally, the communist system throughout the world.[43]

The liberal ideology deepened the social separatism, which began to develop through Industrialization. After the Industrial Revolution the quality of life for the ordinary people had improved because they were given more opportunities to develop. But also a gap in classes and property emerged in societies that made comparative deprivation more serious and the human dignity and human rights came under heavy pressure within the liberal capitalistic systems.

Today we are living in a global society through advances in the fields of transportation and communication. This form of globalization enables many people to share their life to become closer to one another. Solidarity is not meant just only regarding material benefits but applies also to self-respect and human dignity. But the present economic system under neoliberalism masks the traditional liberal concept by diminishing the value of human rights. The economy became the *raison d'être*, while human beings have become a secondary issue. This situation deepened in recent years within the economy system in the global society.

Pope John Paul II wrote about the relationship of economics and materialism:

> Obviously, the antinomy between labour and capital under consideration here - the antinomy in which labour was separated from capital and set up in opposition

[43] Pope John Paul II, *Laborem Exercens* (Vatican City: Vatican Press, 1981), 11.

> to it, in a certain sense on the ontic level, as if it were just an element like any other in the economic process - did not originate merely in the philosophy and economic theories of the eighteenth century; rather it originated in the whole of the economic and social practice of that time, the time of the birth and rapid development of industrialization, in which what was mainly seen was the possibility of vastly increasing material wealth, means, while the end, that is to say, man, who should be served by the means, was ignored. It was this practical error that struck a blow first and foremost against human labour, against the working man, and caused the ethically just social reaction already spoken of above. The same error, which is now part of history, and which was connected with the period of primitive capitalism and liberalism, can nevertheless be repeated in other circumstances of time and place, if people's thinking starts from the same theoretical or practical premises. The only chance there seems to be for radically overcoming this error is through adequate changes both in theory and in practice, changes in line with the definite conviction of the primacy of the person over things, and of human labour over capital as a whole collection of means of production.[44]

The economy should safeguard human dignity and human rights but in the neoliberal system humans seem to exist only for the sake of the economy and profit. Unfortunately, the present-day economic system oppresses in many places human rights and human dignity. Since the 1980's neoliberalism has enabled the economy to dominate the process of globalization. Neoliberalism stresses monetarism, the supply of goods and services, a market centralization, deregulation, the repeal of progressive income tax and the weakening of labor unions. Since the domination by neoliberalism within the world's economic system, by 1980 the world economic growth has been blunted. Since then, poverty and hunger have increased the polarization, problems which last until today.

The Church recognizes these problems and addresses them. Pope Benedict XVI expressed his worries about the globalized economy in his profound social Encyclical Letter *Caritas in Veritate* 2009. He said if the purpose of the economy is directed just

[44] *Ibid.*, 13.

towards profit and not towards the common good this creates a dangerous situation. It destroys wealth distribution, increases polarization and poverty. Any society has to pursue integral human development for all based on justice and the common good and the economy has to serve this goal. Pope Benedict XVI acknowledged also positive aspects of globalization and called people to shape the globalization process according to reason, charity and truth:

> Despite some of its structural elements, which should neither be denied nor exaggerated, “globalization, a priori, is neither good nor bad. It will be what people make of it”. We should not be its victims, but rather its protagonists, acting in the light of reason, guided by charity and truth. Blind opposition would be a mistaken and prejudiced attitude, incapable of recognizing the positive aspects of the process, with the consequent risk of missing the chance to take advantage of its many opportunities for development. The processes of globalization, suitably understood and directed, open up the unprecedented possibility of large-scale redistribution of wealth on a world-wide scale; if badly directed, however, they can lead to an increase in poverty and inequality, and could even trigger a global crisis. It is necessary to correct the malfunctions, some of them serious, that cause new divisions between peoples and within peoples, and also to ensure that the redistribution of wealth does not come about through the redistribution or increase of poverty: a real danger if the present situation were to be badly managed.[45]

Pope Benedict XVI said “globalization, a priori, is neither good nor bad. It will be what people make of it”. I agreed to this view, actually the idea of globalization is for a joint development, sharing talents and resources together and solving problems united to serve the bigger global common good. Global solidarity has to be realized in various dimensions in different countries, cultures, languages and also in view of the protection of the environment and natural resources. This form of globalization is practiced by some International Global Organizations, NGO (Non-Governmental Organization) and

[45] Pope Benedict XVI, *Caritas in Veritate* (Vatican City: Vatican Press, 2009), 42.

also world religions. However, the neoliberal form of economic globalization is different. Globalization needs money which connects the economy systems. That economic system can be controlled, as previously stated, by political means. Any country wants to keep all of its wealth and wants to develop it. I cannot criticize that country's desire because it is even on the individual level so. But the globalization of the economic system needs fair rules and has to rediscover the idea of human dignity and human rights serving the common good.

For Pope Benedict XVI the main feature of globalization is an "explosion of worldwide interdependence":

> Originating within economically developed countries, this process by its nature has spread to include all economies. It has been the principal driving force behind the emergence from underdevelopment of whole regions, and in itself it represents a great opportunity. Nevertheless, without the guidance of charity in truth, this global force could cause unprecedented damage and create new divisions within the human family.[46]

Also Pope Francis mentions issues of the neoliberal economic system several times. He describes uncontrolled capitalism as a form of new dictatorship which mercilessly follows only its own rules. He strongly criticizes a hilling economy of exclusion and inequality, which is basically what neoliberalism is about. The present-day economy is benefiting to 90% the rich and only to 10% for everybody else. During his visit to Korea Pope Francis stated that we have to reject such an unjust and degrading economic model.

> Just as the commandment "Thou shalt not kill" sets a clear limit in order to safeguard the value of human life, today we also have to say "thou shalt not" to an

[46] Pope Benedict XVI, *Caritas in Veritate* (Vatican City: Vatican Press, 2009), 33.

> economy of exclusion and inequality. Such an economy kills. How can it be that it is not a news item when an elderly homeless person dies of exposure, but it is news when the stock market loses two points? This is a case of exclusion. Can we continue to stand by when food is thrown away while people are starving? This is a case of inequality. Today everything comes under the laws of competition and the survival of the fittest, where the powerful feed upon the powerless. As a consequence, masses of people find themselves excluded and marginalized: without work, without possibilities, without any means of escape. Human beings are themselves considered consumer goods to be used and then discarded. We have created a "throw away" culture which is now spreading. It is no longer simply about exploitation and oppression, but something new. Exclusion ultimately has to do with what it means to be a part of the society in which we live; those excluded are no longer society's underside or its fringes or its disenfranchised – they are no longer even a part of it. The excluded are not the "exploited" but the outcast, the "leftovers".[47]

Such on economic system makes not only external changes by creating structural inequalities but causes also internal change of attitudes and values in the minds of people. A "sign of time" for this is a mentality and attitude of wastefulness. This not only refers to natural resources but also to human relationships. The human dignity becomes placed under the capital and the material or consumer world. Pope Francis said about that "This is not the case simply because inequality provokes a violent reaction from those excluded from the system, but because the socioeconomic system is unjust at its root".[48] Already Pope John Paul II spoke in this regard of "structures of sin".[49] Human person created the neoliberal economic system and now humans are dominated and threatened by that system. The Church wants to contribute positively to overcome such devastating "structures of sin" in the economic and political systems.

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[47] Pope Francis, *The Joy of the Gospel* (Vatican City: Vatican Press, 2013), 53.

[48] Pope Francis, *The Joy of the Gospel* (Vatican City: Vatican Press, 2013), 59.

[49] Pope John Paul II, *Sollicitudo Rei Socialis* (Vatican City: Vatican Press, 1987), 36-37.

Her social teaching is one important element of this contribution.

3.2. THE PROPHETIC ROLE OF THE CATHOLIC CHURCH FOR SOCIAL JUSTICE

To promote justice is a core issue in Catholic Social Teaching. But in the understanding of the Church, justice reflects also an immaterial dimension. The Catholic Bishops of the United States of America write in this regard: “In Catholic thought, social justice is not merely a secular or humanitarian matter. Social justice is a reflection of God's essential respect and concern for each person and an effort to protect the essential human freedom necessary for each person to achieve his or her destiny as a child of God."[50]

There is a prophetic biblical tradition of the Catholic Church of condemning injustice. In the books of prophet Isaiah we read: “Woe to those who enact unjust decrees, who compose oppressive legislation to deny justice to the weak and to cheat the humblest of my people of fair judgment ,to make widows their prey and to rob the orphan” (Isa 10,1-2). Prophet Micah warns the Israelite to heed justice: “Kindly listen to this, you leaders of the House of Jacob, you princes of the House of Israel, who detest justice, wresting it from its honest course, who build Zion with blood, and Jerusalem with iniquity! Her leaders give verdicts for presents, her priests take a fee for their rulings, her prophets divine for money and yet they rely on Yahweh! 'Isn't Yahweh among us? they say, No disaster is going to overtake us” (Mic 3,9-11). And “You have already been told what is right and what Yahweh wants of you. Only this, to do what is

[50] U.S Bishops, *To Do Work of Justice*, 1978, 8, in Mary E. Ali, *Through Three Miracles: Pulling the Sail in Together and Resetting “The Middle of the Political Spectrum”* (Pennsylvania: Dorrance Publishing, 2013), 102.

right, to love loyalty and to walk humbly with your God" (Mic 6,8). For Catholics the prophetic role of the Church is to proclaim social justice as the way of Jesus Christ rather than the way of the world.

The social doctrine of the Catholic Church is grounded in a sound Christian anthropology and applies faith and ethical standards when evaluating human actions, life, politics, economy, society, labor, human rights and world peace etc. The principles of her social doctrine come from human reason, the Bible and from the tradition and long experience of the Church. These principles deal with the dignity of the human person, the common good, solidarity, subsidiarity, option for the poor, universal destination of goods, participation. These principles serve as a lighthouse of orientation for the faithful and all people of good will in the world.

The principle of personal human dignity is most important, as it is at the root of all social justice. The reason for human dignity is based in God. "God shows no partiality (Acts 10:34; Rom 2:11; Gal 2:6; Eph 6:9), since all people have the same dignity as creatures made in His image and likeness. Since something of the glory of God shines on the face of every person, the dignity of every person before God is the basis of the dignity of a man before other men."[51] That God has given to each human being a inviolable, non-transferable human dignity that should be carefully heeded by all institutions and people and strictly observed in all situations. The Catholic Church teaches that the consideration of the human person should be at the center in any constitution, law and in any political and economic decision and situation. The origin of

[51] Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church* (Vatican City: Vatican Press, 2004), 144.

this human dignity lies in God, who created every human being in his image and sent his Son, who sent us his life-giving spirit. God teaches us to love and receive and give his love and to participate in his friendship of love. Therefore we should practice his love in the society as that leads to true happiness and is the way to reach our full potential as humans.

The Gospel teaches us to connect properly with all people in the world. The Church exists in human history and in the world, She does not exist just in an abstract or spiritual world. Pope John Paul II said in his first Encyclical Letter *Redemptor Hominis* 1979:

> This man (Jesus Christ) is the way for the Church - a way that, in a sense, is the basis of all the other ways that the Church must walk − because man − every man without any exception whatever - has been redeemed by Christ, and because with man - with each man without any exception whatever - Christ is in a way united, even when man is unaware of it: "Christ, who died and was raised up for all, provides man" - each man and every man - "with the light and the strength to measure up to his supreme calling".[52]

Also Pope Francis said "today we also have to say 'thou shalt not' to an economy of exclusion and inequality. Such an economy kills."[53] The Church practices love and social justice through proclamation and application of her social doctrine. That is the necessary prophetic role of the Church in our modern world.

3.3 THE PRINCIPLES OF COMMON GOOD, SOLIDARITY AND SUBSIDIARITY

[52] Pope John Paul II, *Redemptor Hominis* (Vatican City: Vatican Press, 1979), 96.

[53] Pope Francis, *The Joy of the Gospel* (Vatican City: Vatican Press, 2013), 53.

a) The Principle of Common Good

The common good (*bonum commune*) "consists of three essential elements: respect for and promotion of the fundamental rights of the person; prosperity, or the development of the spiritual and temporal goods of society; the peace and security of the group and of its members."[54] "As a result the common good, that is, the sum of those conditions of social life which allow social groups and their individual members relatively thorough and ready access to their own fulfillment, today takes on an increasingly universal complexion and consequently involves rights and duties with respect to the whole human race. Every social group must take account of the needs and legitimate aspirations of other groups, and even of the general welfare of the entire human family."[55]

This principle above carries with it the task of fair distribution of the world's resources and goods for everyone. The economic structure must be ordered in view of the common good, which today has more and more a global dimension. The common good is also superior to private property and the principle of free trade.[56]

In Genesis, God gives to humankind without distinction the earth and its crops to maintain life. That is the universal destination of goods with its origin ultimately in God. The common good is the reason for the existence of any society. Every member of the

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[54] *Catechism of the Catholic Church* (New York: Doubleday, 1995), 1925.

[55] Vatican Council II, Pastoral Constitution *Gaudium et Spes* (Vatican City: Vatican Press, 1965), 26.

[56] Cf. Pope Paul VI, *Populorum Progressio* (Vatican City: Vatican Press, 1967), 22.

society should cooperate with one another according to each's own ability to promote and develop the common good. The government also has its responsibility to work towards the common good through its public institutions, its laws, concerning food, housing, policies, education, worker welfare, medical system, environmental protection, and to safeguard the freedom of expression and religion. The political system and social institutions need to be improved unceasingly in view of the common good. This practice should be expanded to international organizations, as Pope Benedict XVI emphasized in his social Encyclical Letter *Caritas in Veritate* 2009: "In the face of the unrelenting growth of global interdependence, there is a strongly felt need, even in the midst of a global recession, for a reform of the United Nations Organization, and likewise of economic institutions and international finance, so that the concept of the family of nations can acquire real teeth."[57] This responsibility connects deeply individual ethics, social ethics and ecological ethics.

The Church acknowledges the concept of private property, but the Christian tradition teaches that private property is not absolute. This does not mean that the tradition of the Church is against the acknowledgement of private property: it means that there is a universal destination of goods and a social responsibility prior to the legitimate private property and a need to regulate private property. Essentially private property is a tool within the universal destination of goods and it is not an absolute end in itself.

b) The Principle of Solidarity

[57] Pope Benedict XVI, *Caritas in Veritate* (Vatican City: Vatican Press, 2009), 67.

The principle of solidarity is friendship among individuals, private groups and nations. It is based on a codependency and bonding to which each of us should respond and care for. A human being is a social being (*zoon politikon*) with a social and ethical nature and demand for communal life, peace and dignity for everyone. For that to realize everyone needs to promote the common good and participate in it in solidarity. This solidarity should not be merely a vague compassion or a superficial view, to be expressed only when we see others suffering or being unhappy. We have a grave responsibility towards others and we should work towards the common good for others and for ourselves. "Profound and rapid changes make it more necessary that no one ignoring the trend of events or drugged by laziness, content himself with a merely individualistic morality. It grows increasingly true that the obligations of justice and love are fulfilled only if each person, contributing to the common good, according to his own abilities and the needs of others, also promotes and assists the public and private institutions dedicated to bettering the conditions of human life."[58]

In the understanding of the Magisterium the word solidarity means the bonding between the individual person and social groups. It is necessary for everyone in the society to participate in and live up to such a form of solidarity. This principle of solidarity starts with the idea that culture, science, technology, environment, and material goods derive from people and connect all people. The human condition benefits from this solidarity, therefore everyone has an obligation towards the society and everyone has the responsibility to promote solidarity. There is a special and great

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[58] *Ibid.,* 30.

need today of an "globalization of solidarity" in our more and more interconnected world. For this crucial endeavor all people have to work together in all segments of our countries and the whole world.[59]

> The principle of solidarity requires that men and women of our day cultivate a greater awareness that they are debtors of the society of which they have become part. They are debtors because of those conditions that make human existence livable, and because of the indivisible and indispensable legacy constituted by culture, scientific and technical knowledge, material and immaterial goods and by all that the human condition has produced. A similar debt must be recognized in the various forms of social interaction, so that humanity's journey will not be interrupted but remains open to present and future generations, all of them called together to share the same gift in solidarity.[60]

Ultimately we live as humans on this planet in "one boat" as recent challenges clearly indicate (climate change, terrorism, etc.). We depend on one another in many ways. This calls for the development of a stronger awareness and implementation of forms of global solidarity.

Jesus Christ himself has shown his love in solidarity towards all people he encountered. The Son of God moved among prostitutes, tax collectors, fishermen, the lame, the blind, widows, orphans, gentiles. He also healed the sick, raised the dead and gave food to the hungry. But later he was rejected by some in his own society. Jesus Christ's atonement for our sins was in solidarity with all of us.

The Catholic Church pointed out the serious imbalance between advanced nations and developing nations through Pope Paul VI important social Encyclical Letter

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[59] See the Chapter on "Global Solidarity of Fausto B. Gomez, *A Pilgrim`s Notes* (Manila: UST Publishing House, 2005), 156-159.

[60] Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church* (Vatican City: Vatican Press, 2004), 195.

Populorum Progressio (1967) and Pope John Paul II social Encyclical Letter *Sollicitudo Rei Socialis* (1987). The Catholic Church appealed to the solidarity of advanced nations to help and support poorer and developing nations. She stresses the purpose of the universal destination of goods, social justice, duty of love and solidarity. The Church explains why she has so much concern for the poor.

> Today, furthermore, given the worldwide dimension which the social question has assumed, this love of preference for the poor, and the decisions which it inspires in us, cannot but embrace the immense multitudes of the hungry, the needy, the homeless, those without medical care and, above all, those without hope of a better future. It is impossible not to take account of the existence of these realities. To ignore them would mean becoming like the rich man who pretended not to know the beggar Lazarus lying at his gate (Luke 16:19-31).[61]

The concepts of solidarity and option for the poor are at the center of Christian life. The Gospel refers to it in the Last Judgment: “Then the King answered: in truth I tell you, in so far as you did this to one of the least of these brothers of mine, you did it to me. For I was hungry and you never gave me food, I was thirsty and you never gave me anything to drink, I was a stranger and you never made me welcome, lacking clothes and you never clothed me, sick and in prison and you never visited me. Then he will answer, In truth I tell you, in so far as you neglected to do this to one of the least of these, you neglected to do it to me” (Matt 25: 40,42,43,45). The Holy Scripture expresses very clearly in the Last Judgment that our salvation will depend on whether we have lived our lives in solidarity with others especially the neediest. In Christian life the center of solidarity comes from the conviction of faith that everyone is a child of God. God’s salvation is revealed through Jesus Christ who lived in human history in

[61] Pope John Paul II, *Sollicitudo Rei Socialis* (Vatican City: Vatican Press, 1987), 42.

solidarity with us humans.

The preferential option for the poor is an important consequence of solidarity proper understood. The poor and weak have to be placed at the center of theory and practice in the society and also in the Church. "The Church and Christian must make sacrifices from their very necessities, altering lifestyles and transforming sinful social structures on the national and international level into systems that serve the needs of the poor".[62] Here opens a vast area of practical contributions of Church groups (parishes, religious congregations, dioceses, schools) for more solidarity and an authentic Christian lifestyle.

c) The Principle of Subsidiarity

The principle of subsidiarity means that governments and international organizations should care properly for their local communities and their members. But subsidiarity means also not to disadvantage the relative autonomy and proper freedom and independence of smaller entities and communities. Powerful institutions and communities have the ability and power to help the lower entities and less fortunate. Governments and international organizations should follow the principle of solidarity and intervene to help smaller entities and communities when needed. That means a top down support by maintaining bottom initiatives and freedom. This is the basic meaning of the principle of subsidiarity which appeared first already in Pope Leo XIII`s

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[62] Patrick T. McCormick, "Centesimus Annus", in *The New Dictionary of Catholic Social Thought*. Edited by Judith A. Dwyer (Collegeville, Minnesota: Liturgical Press, 1994), 134; cf. also John Paul II, *Sollicitudo Rei Socialis*, 31.

Encyclical Letter *Rerum Novarum*:

> We have said that the State must not absorb the individual or the family; both should be allowed free and untrammeled action so far as is consistent with the common good and the interest of others. Rulers should, nevertheless, anxiously safeguard the community and all its members; the community, because the conservation thereof is so emphatically the business of the supreme power, that the safety of the commonwealth is not only the first law, but it is a government's whole reason of existence; and the members, because both philosophy and the Gospel concur in laying down that the object of the government of the State should be, not the advantage of the ruler, but the benefit of those over whom he is placed. The gift of authority derives from God, and is as it were a participation in the highest of all sovereignties; and should be exercised as the power of God is exercised with a fatherly solicitude which not only guides the whole but reaches also to details.[63]

The mature and standard definition of the principle of subsidiarity can be found in Pope Pius XI Encyclical Letter *Quadragesimo* Anno (1931):

> That most weighty principle, which cannot be set aside or changed, remains fixed and unshaken in social philosophy. Just as it is gravely wrong to take from individuals what they can accomplish by their own initiative and industry and give it to the community, so also it is an injustice and at the same time a grave evil and disturbance of right order to assign to a greater or higher association what lesser and subordinate organizations can do. For every social activity ought of its very nature to furnish help to the members of the body social, and never destroy and absorb them.[64]

If this principle is properly heeded than justice will be done to the different sectors and tasks in a society and harmony, peace, and prosperity will follow. The principle of subsidiarity obliges groups in power to assist smaller and weaker communities if needed. If smaller entities can accomplish something on their own they should not be hindered to do it.

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[63] Pope Leo XIII, *The Great Encyclical Letters of Pope Leo XIII* (Illinois: Tan Books and publishers, 1995), 230.

[64] Pope Pius XI, *Quadragesimo Anno* (Vatican City: Vatican Press, 1931), 79.

The principle of subsidiarity needs to be applied carefully balanced in view of the overall development in a society, as Pope John Paul II rightly observed in view of the development of welfare systems in highly developed countries:

> In recent years the range of such intervention has vastly expanded, to the point of creating a new type of State, the so-called "Welfare State". This has happened in some countries in order to respond better to many needs and demands, by remedying forms of poverty and deprivation unworthy of the human person. However, excesses and abuses, especially in recent years, have provoked very harsh criticisms of the Welfare State, dubbed the "Social Assistance State". Malfunctions and defects in the Social Assistance State are the result of an inadequate understanding of the tasks proper to the State. Here again the principle of subsidiarity must be respected: a community of a higher order should not interfere in the internal life of a community of a lower order, depriving the latter of its functions, but rather should support it in case of need and help to coordinate its activity with the activities of the rest of society, always with a view to the common good.[65]

No actor in the society should lose sight of the common good as overarching goal. This involvement of support of a smaller community should be practiced as much as possible to advance social justice. The more powerful should protect the autonomy of the less powerful by protecting human initiative, freedom and human dignity and by assisting if necessary. This will fulfill the principle of subsidiarity. The more powerful organizations and groups should not impose themselves on weaker communities to gain unfair advantage for themselves. Also the lower entities and individuals should not exploit improperly the bigger entities (like a welfare-state) as this will hurt the overall common good and themselves in the long run. Pope Pius XI continues to elaborate about the important functions and consequences of the principle of subsidiary;

> The supreme authority of the State ought, therefore, to let subordinate groups

[65] Pope John Paul II, *Centesimus Annus* (Vatican City: Vatican Press, 1991), 48.

> handle matters and concerns of lesser importance, which would otherwise dissipate its efforts greatly. Thereby the State will more freely, powerfully, and effectively do all those things that belong to it alone because it alone can do them: directing, watching, urging, restraining, as occasion requires and necessity demands. Therefore, those in power should be sure that the more perfectly a graduated order is kept among the various associations, in observance of the principle of "subsidiary function," the stronger social authority and effectiveness will be the happier and more prosperous the condition of the State.[66]

The higher authorities should be concerned with the broader and deeper aspects of the overall common good in a society. The higher authority exists for everybody not just for the high classes and elites but also for the low classes, and especially for the poor in a society.

This principle of subsidiarity is also very helpful for finding the right balance of relationship between the state and the economic actors. The Catholic Social Teaching clearly supports basically a free market economy but with clear rules and limits to protect the dignity of human persons the family, the common good and the environment. The principles of the Social Doctrine of the Church help “to sharpen the parameters of the government’s responsibility to support, restrain, or intervene in the economic processes of a society”.[67]

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[66] Pope Pius XI, *Quadragesimo Anno* (Vatican City: Vatican Press, 1931), 80.

[67] Patrick T. McCormick, “Centesimus Annus”, in *The New Dictionary of Catholic Social Thought*. Edited by Judith A. Dwyer (Collegeville, Minnesota: Liturgical Press, 1994), 140.

Excursion: Sharing Economy

The present-day dominant capitalistic neoliberal economy needs to be modified. Harvard Law School Professor Lawrence Lessig suggests the concept of a "Sharing Economy." Such a "Sharing Economy" favors not to possess more and more resources and consumer goods but instead to use, borrow and lend them. At the individual level within this concept a person can share his idle resources with everyone instead of keeping them only to oneself. A sharing economy emerged from the limitations of capitalism, and in order to succeed, it requires a strong base in information technology and extensive social networking. The desire of people for excessive possession has brought excessive consumption, excessive production, and excessive pollution and waste.

Here I am comparing the present dominantly neoliberal economic system with a sharing economic system. 1) I will compare the concept of possession with the concept of sharing. 2) I will compare between resource exhaustion and resource saving. 3) I will show the difference between producing for profit and value creation. 4) I will compare the level of trust needed to operate under these two economies. 5) I will compare excessive consumption to cooperative consumption.

Such a sharing economy could benefit the whole society. Companies today produce goods and services and earn profits and contribute to society as separate goals. For the goal to contribute to the society a good management is important. But in a sharing economy a company is structured in that way that the contribution to the society is connected to production and profits. One company can lend its idle resources to another thereby achieving overall cost savings for the society; resources are more efficiently used and environmental problems are reduced. The resources mentioned here are not just material but also intellectual in nature; for instance knowledge, talents, capabilities, synergies, etc.

There are also dangers or negative aspects to a sharing economy. When individuals deal directly competitive with one another, there is a great risk of quality assurance, compensation for good and services, and the overall issue of trust. The biggest obstacle to a sharing economy is the human nature, which is basically selfish. Nevertheless the concept of a sharing economy is gaining ground because it is a more efficient way to allocate limited resources, reduce overall costs and waste and increase overall benefits for all.[68]

The philosophy of sharing is different from neoliberalism which is basically solely interested in the acquisition of more profit and wealth. Neoliberalism values money because one can buy anything with money. But we cannot buy the common good, which can only come from a common sharing and justice. The common good requires everyone to participate with trust and honesty. Kenneth Joseph Arrow, Nobel Laureate in economics, said that trust is the lubrication of any economy, because costs are reduced and goods and services moved more efficiently. However trust cannot be created by governments or private enterprises. Trust develops as value in a culture and has to be nourished among individuals and communities in a society through proper education values time and effort. Trust is indeed an essential part of the common good

[68] See for instance new developments in the field of “Collaborative Consumption”: http://www.collaborativeconsumption.com/about/ (accessed on November 22nd 2014).

of a society. All actors in a society, especially also on the political level, have to nourish and safeguard the level of trust in societies.

CONCLUSION

Nowadays neoliberalism is seen as key component in the economic process of globalization, and globalization is acknowledged to be an important reality of contemporary growing interconnectivity. Globalization should be the form of development of the world society in view of the common good. The proper understanding and form of globalization is central for present-day politics, economics, and life. Globalization requires solidarity, equality, justice and fairness. Its clear goal must be the global common good.

However, as this investigation shows, neoliberalism does not really work for the common good. Powerful countries try to impose their domination over other countries through their power and neoliberal interpretation of globalization and life. This seems to be inevitable but very deplorable. In the current global economy any country, who wishes to enjoy economic growth, must collaborate with international organizations such as WTO and OECD and adhere to their specific international policies such as the FTA. But can advanced and poorer countries develop their economies on equal terms and conditions without causing damage to the latter? Advanced countries are able to benefit from an economy of scale. The more powerful countries are even able to influence and distort the world organizations to their advantage and the poorer countries receive unequal treatment and suffer injustices. Conditions of fair competition have yet to be developed.

Neoliberalism does not work for the common good because it hinders a fair and just economic development in the world. The principles of the common good, of justice, solidarity and subsidiarity can help to improve the ramifications of the global economy.

Countries and governments make efforts for more development and for advancing their national interests. That is expected from a government. But should a more powerful country force its national interests onto a weaker country just because it is within its power and the law to do so? More powerful countries should consider aspects of justice, solidarity, and the global common good when they purse their national interests and should not act at the expense of other countries?

Pope Francis said that if one is not sure what is good or what is bad, one has to follow his conscience. The issue of justice is surely related to the human conscience The premise is that social values exist in every community. Individuals and communities should be allowed to pursue their own interests but they should also consider the interests of others when doing so. If every individual or community practices pure egoism any society will soon be destroyed. Another problem with egoism is that egoism does not support justice. All social theories deal with justice but not all social theories link justice with truth. If there is no truth then there is no justice. If there is no justice, a society cannot sustain in the long term. This holds true also for our common global society.

Let me take the example of Japan occupying Korea for 35 years. During that time Japan benefited from its occupation at the expense of the Korean people. This is a form of egoism on the part of Japan - benefiting oneself without regard to others and even hurting them in the process. There was no justice for Korea or for Korean people. Or when the white government gave up power in South Africa the new President Nelson Mandela set up the *Truth and Justice Commission* to bring about reconciliation for the citizens. This showed South Africa and the whole world the truth about past atrocities. This commission did not seek primarily punishment or revenge. But by exposing and acknowledging the truth about the past, reconciliation among all South Africans could be achieved and a common reconciled identity forged.

One negative aspect of neoliberalism is the creation of mammonism through the commercialization of cultural media. Mammonism has changed the thinking about life styles in society. For instance family life, human relationships, even volunteerism and other social activities have taken on a profit motive. Public services are being privatized to increase profits and communities and groups are operating with the intention of making more money. This situation can destroy the public spirit and the common good.

Pope John Paul II already mentioned that the market economy has inherently changed one’s way of thinking, behavior pattern and one`s values in life. Neoliberalism has just one rule - it makes profit the one prevalent goal. This idea has spread in all societies and influenced the course of the whole world. The neoliberal form of globalization demands market homogenization and uniformity. This situation destroyed cultural traditions and customs in many societies. This social and cultural change seriously influenced not only politics and economy but also religions.

From a religious perspective neoliberalism with the “idolatry of profitability”[69] has

[69] Patrick T. McCormick, “Centesimus Annus”, in *The New Dictionary of Catholic Social Thought*, Edited by Judith A. Dwyer (Collegeville, Minnesota: Liturgical Press, 1994), 139.

made money and wealth to be worshiped like the golden calf of the Israelites. This "idolatry of money" in conjunction with an "inordinate worship of the self"[70] are at the core of the neoliberal ideology. And when even the media adopt the neoliberalistic theory to increase their revenues they are less willing to work for the public interest, the common good or for the poor and disadvantaged in a society.

Neoliberalism pushes the ideologies of mammonism and materialism to the individual level; in other words, neoliberalism encourages individuals to place themselves above others in a form of "worship of the self." Neoliberalism makes people to think of money and wealth being almost like a religion. Thus radical market economy has its own symbol - money, its own "spirituality" and its own rules in this world.

Hugo Assmann, who was a Brazilian Catholic theologian, published an important work on this issue after the Second Vatican Council. He is considered as one of the pioneers of liberation theology in Brazil. Assmann said that neoliberalism has become the religion of the capitalistic form of economy. Religions have traditions and histories and a powerful super being. Nowadays neoliberalism has also traditions and histories and a powerful super being - money. Within the neoliberal understanding of globalization the market transcends individuals, groups, communities and nations and forces humans and nature to obey this form of "economic religion". The trust in a free market fundamentalism is similar to what is faith in a real religion. This worship of market fundamentalism in the name of market efficiency and profitability is dangerous

[70] *Ibid*, 135.

and creates many victims.

Globalization today is not characterized by serving the global common good but rather resembles hegemonism. A hegemonic country is not inclined to change its character unless forced to do so by circumstances. Neoliberalism, with its aggressive policy of radical free trade, free market and deregulation is the ideology of global hegemonism. The global economic crisis derived also from consuming resources faster than the earth could replace. The French economist Clemang Jigli once said the only cause of depression is prosperity.

We are living in a period of globalization in a currently neoliberalistic economic system. We cannot and should not reject globalization. However we should choose a path of globalization different from neoliberalism. If a way is wrong then we need to find an- other way to corrected the a wrongheaded direction. Pope Francis said "The socio-economic crisis and its resulting poverty have its roots in policies inspired by neoliberalism which considers earnings and market laws as absolute parameters to the detriment of the dignity of persons and peoples."[71] The Church should be concerned about the "evangelism" of neoliberalism and its damaging effects on people and societies. She is indeed concerned about how neoliberalism is affecting all people. Her message to the faithful and to society highlights the effects of neoliberalism on the political and social level. Pope Francis states:

> The earth is our common home and all of us are brothers and sisters. If indeed the just ordering of society and of the state is a central responsibility of politics, the Church cannot and must not remain on the sidelines in the fight for justice. All

[71] Pope Francis, in Alberto Rossa, *A Year with Pope Francis: Daily Reflections from His Writings* (Macao, China: Claretian Publications, 2013), 337.

> Christians, their pastors included are called to show concern for the building of a better world. This is essential, for the Church`s social thought is primarily positive: it offers proposals, it works for change and in this sense it constantly points to the hope born of the loving heart of Jesus Christ. At the same time, it unites its own commitment to that made in the social field by other Churches and Ecclesial Communities, whether at the level of doctrinal reflection or at the practical level.[72]

The Second Vatican Council states about the economic social life in *Gaudium et Spes*; "the Church should have true freedom to preach the faith, to teach her social doctrine, to exercise her role freely among men, and also to pass moral judgment in those matters which regard public order when the fundamental rights of a person or the salvation of souls require it."[73] "Hence, many reforms in the socioeconomic realm and a change of mentality and attitude are required of all. For this reason the Church down through the centuries and in the light of the Gospel has worked out the principles of justice and equity demanded by right reason both for individual and social life and for international life, and she has proclaimed them especially in recent times."[74] The Church has addressed the issue of social justice in the economic system many times in her Social Teaching.

The present-day economic system of neoliberalism transforms human beings into market objects. To counter the neoliberalistic economy system, the Church should defend the human dignity and human rights and protects the common good, locally, regionally and globally.

The Holy Bible teaches "for I was hungry and you gave me food, I was thirsty and

[72] Pope Francis, *The Joy of the Gospel* (Vatican City: Vatican Press, 2013), 183.

[73] Second Vatican Council, *Gaudium et Spes* (Vatican City: Vatican Press, 1965), 76.

[74] *Ibid*., 63.

you gave me something to drink, I was a stranger and you welcomed me, I was naked and you gave me clothing, I was sick and you took care of me, I was in prison and you visited me" (Matt 25,35-36). The Church has to stand together with the poor, the oppressed, those who have been deprived of their rights and those who have been exploited. "How does God's love abide in anyone who has the world's goods and sees a brother or sister in need and yet refuses help? Little children, let us love, not in word or speech, but in truth and action" (1 John 3,17-18).

The Church should be at the center of society sharing not only material but also spiritual values such as justice, human rights, human dignity and God's love. Also the Church should fight against a society which practices unjust and inhumane politics. That was at the center of the life and work of the prophets and of Jesus Christ Himself. They were the ones who condemned injustice and proclaimed God's justice and love to an selfish and uncaring society.

In proclaiming God's word the Church will inevitably come in conflict and probably be persecuted by the powerful in today's society. Jesus Christ has experienced this and shown to us through his own suffering and death on the cross. The Church asks whether God or money should be at the center of our life and of the economy? "No one can serve two masters; for a slave will either hate the one and love the other, or be devoted to the one and despise the other. You cannot serve God and wealth" (Matt 6,24).

The present-day neoliberal economy worships mammonism and makes human beings subject to such an economy. Within this challenge the Church should stand in ecumenical solidarity with other Christian denominations and with other religions. “Do not be conformed to this world, but be transformed by the renewing of your minds, so that you may discern what is the will of God, what is good and acceptable and perfect.” (Rom 12,2). The Church is the light and the salt for the society by promoting a just economic order, by distinguishing the different economic concepts and by determining what is right in God’s eyes.

Pope Francis said that the Church is a field hospital that should take care of victims who have been wronged by society’s system. Since the Church is a field hospital in the society it needs to be built near the victims or it has to move to become close to them. This means the Church should not wait for the sufferers to come to her but she has to go to find them and to treat them as a good shepherd searches for the lost sheep.

The Church should be reminded that Jesus Christ was also a victim. He was rejected by those in authority. He disturbed the public order by proclaiming God’s word. For he was accused of blasphemy for being proclaimed King of the Jews. Through Jesus Christ’s death on the cross, God’s truth’s has been finally and definitely revealed. It showed that politics, economics, other social systems and even religions centered on human selfishness are unjust and wrong. Our global society absolutely needs God’s healing word and liberating presence. Therefore the Church should stand up and expose wrongs and unjust politics and stand against a reductionist inhuman neoliberal economics. By Her practical example and her Social Teaching the Catholic Church contributes to an integral human development of all people and peoples, based on the sound ethical principle that “man is the source, the center, and the purpose of all economic and social life."[75] May our Lord Jesus Christ, the One God who became man, guide and strengthen his Church in this important mission.

[75] Vatican Council II, Pastoral Constitution *Gaudium et Spes* (Vatican City: Vatican Press, 1965), 63.

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