

Robert Rogowski*

Markets in catholic social teaching

1. Introduction

Catholic social teaching addresses social, economic, political, and cultural issues. It exhibits both theoretical and practical aspects. Firstly, it formulates moral principles for social and economic life. Secondly, it elaborates on their practical application on ruling economic relationships and within a specified time. It means that Catholic social teaching has a moral character of teaching.

Catholic social teaching isn't an ideology, "but rather the accurate formulation of the results of a careful reflection on the complex realities of human existence, in society and in the international order, in the light of faith and of the Church's tradition. Its main aim is to interpret these realities, determining their conformity with or divergence from the lines of the Gospel teaching on man and his vocation, a vocation which is at once earthly and transcendent; its aim is thus to guide Christian behaviour. It therefore belongs to the field, not of ideology, but of theology and particularly of moral theology" (John Paul II 1987, no. 41).

The most important source of Catholic social teaching are the Pope's statements (in particular, their social encyclicals) and documents of general councils. Encyclicals are directed to the entire Church and to people of goodwill.

2. Review of social encyclicals

Rerum Novarum is regarded as the encyclical by which Leo XIII initiated Catholic social teaching. This document constituted the Pope's response to the growing influence of socialist and communist movements amongst Catholic workers. In the encyclicals, both socialism in the Marxist understanding and blind capitalism were rejected. Markets were noticed as the social institution, which

* State Higher Vocational School in Nowy Sącz, e-mail: rogowskir@wp.pl

enables the exchange of goods manufactured by producers (Leo XIII 1891, no. 7). At the same time, the encyclical calls for personal liberty (Leo XIII 1891, no. 28), which presumably also comprises freedom of action in the market (it constitutes an extension of basic freedoms), provided that it doesn't threaten common good or doesn't harm others (we have here an indication of the need of state institutions being in charge, guarding fair market policy law). Exploitation of the employee by the employer has a negative effect on market demand; by not receiving fair remuneration, the employee won't be able to buy necessary goods available on the market. However, by keeping a part of the employee's remuneration, the employer will be privileged (Leo XIII 1891, no. 34). In the encyclical, the Pope referred mainly to the labor market by calling for a need to implement protective employee policy by the state (Leo XIII 1891, no. 26, 27). The encyclical author also appreciated private property (Leo XIII 1891, no. 6, 8).

Forty years after announcing the Encyclical *Rerum Novarum*, Pope Pius XI issued the encyclical devoted to a renewal of the social system and its adaptation to Gospel norms. As regards the role of the state, the encyclical pointed out that the government cannot be only a guard of law and order, but must play an active part in the citizen's life by providing freedom of individual action on the one hand and protection of social relations on the other, especially in respect to weak and poor people (Pius XI 1931, no. 25). The Pope recalls that the Catholic Church is obligated to speak out on all topics related to morality, including those in economic life (Pius XI 1931, no. 41). One of the basic human rights is the right to property, which has a dual character: individual (serves the good of individuals) and social (with public goods in mind). Thanks to the right to property, the man can meet his needs (Pius XI 1931, no. 45). It is necessary here to notice that, first, the right to private property enables the functioning of markets and economic development. The exchange of goods and services presupposes their private ownership. The social character of private property means that, not only self-interest, but also the common good should govern its use (Pius XI 1931, no. 49). The state must not interfere excessively into the right to private property by heavy taxes (Pius XI 1931, no. 49). The Pope appeals for the fair distribution of goods so workers can receive remuneration to meet their family needs (Pius XI 1931, no. 61). Therefore, they will be also able to participate more widely in markets. The Pope recalls that human work does not conform to an ordinary good that you can buy and sell just like any other commodity. The work involves a man who has dignity (Pius XI 1931, no. 83). The social good is threatened by unfettered free competition that is based on mistaken individualistic economics. The free market as such is good and useful, but it requires wise supervision. A legal and social system is necessary for the entire economic life (Pius XI 1931, no. 88). Unlimited free competition favors

wealth accumulation in the hands of few who, in selfish ways, decide economic trade-offs, arrogate economic power, and consequently destroy the free market (Pius XI 1931, no. 106). The Pope, observing daily economic life, writes: “Free competition has destroyed itself; economic dictatorship has supplanted the free market; unbridled ambition for power has likewise succeeded greed for gain; all economic life has become tragically hard, inexorable, and cruel” (Pius XI 1931, no. 109). The Pope calls for noble competition based on aspirations for justice. He is opposed to communism and individualistic liberalism (Pius XI 1931, no. 114). One of the evil sources is man’s concentration on worldly goods (Pius XI 1931, no. 129). Man (Christian) should use material goods not for its spiritual damage but best to develop the human spirit by bringing it closer to God (Pius XI 1931, no. 131). Acquisition of wealth at all costs through harm inflicted on others is a great evil (Pius XI 1931, no. 134).

The Encyclical *Divini Redemptoris* Pius XI is devoted to an analysis and evaluation of communism. The Pope encounters the great threat of communism, which inflicts human rights, societal institutions, private property, and (above all) religion. Communism is based on materialism. Communism is evil in negating personal freedom and human dignity (Pius XI 1937, no. 10). It is necessary to notice that the abolition of private ownership impedes the evolution of markets. Communism is an anti-market ideology. The Pope recalls that man has a duty to care about worldly goods, such that they serve to achieve an eternal good (Pius XI 1937, no. 34). The greed of tangible goods poses a threat to man – man should not seek his happiness in richness, because there he won’t find it (Pius XI 1937, no. 44). Man should also forego selfish pleasures by directing his funds to help the poor. The Pope calls for a return to humble life forms (Pius XI 1937, no. 48). Regarding the role of nation states and international political relations, the Pope advocates removing all artificial obstacles in economic life based on distrust and hate, because all nations form one family (Pius XI 1937, no. 76).

In the Encyclical *Summi Pontificatus*, Pius XII states that a concentration only on earthly matters is a human mistake, because it favors loosening faith in Christ (Pius XII 1939, no. 3). The Pope notes that the human soul suffers from internal emptiness and depletion in a period of great technical achievements and material progress (Pius XII 1939, no. 5). As one of the societal institutions, the market should be organized in order to provide harmonious improvement of human nature (Pius XII 1939, no. 47). The market must not be subordinated to the state as an ultimate purpose in which there is absolute power (Pius XII 1939, no. 48). Man is threatened when the state annihilates private initiative and abolishes the private sector. They belong to a natural order, because they are based on personal responsibility and private initiative (Pius XII 1939, no. 49). The Church has always contributed to cultural development and is a supporter

of civilization, provided human progress preserves morality and honors God as the aim in earthly life (Pius XII 1939, no. 77).

In 1961, Pope John XXIII announced the Encyclical *Mater et Magistra*. He recalls in it that the Church not only cares for leading souls to holiness, but also takes the needs of daily people's lives into account (life conditions, prosperity, and success in different fields) (John XXIII 1961, no. 3). He recalls erroneous doctrines of economic life based on automatically operating forces of nature that are blind to moral concerns. Unrestricted self-interest, unlimited free competition, and a lack of intervention on the state's part contribute to widening poverty and concentrating wealth in the hands of a few (John XXIII 1961, no. 11–13). The Pope resembles the statements of Leon XIII concerning a mistake in treating human labor as a marketable good, because labor is an action of a human person. Employment contracts must be concluded with respect to principles of fairness and justice, such that financial and real working conditions do not inflict on human dignity (John XXIII 1961, no. 18, 21). In establishing worker salaries, justice also requires taking into account the financial condition of enterprises (John XXIII 1961, no. 34). The risk is unlimited free competition, which has led to the accumulation of enormous riches and unlimited power in the hands of a few (John XXIII 1961, no. 35). Pope John XXIII stresses the priority of private enterprises. However, the state should act according to the principle of subsidiarity (John XXIII 1961, no. 51–53), with the aim of combating economic disorders and massive unemployment. This intervention shouldn't suppress the freedom of private action, but should enable it (John XXIII 1961, no. 55).

Economic freedom is prerequisite for economic development. "Experience has shown that where personal initiative is lacking, political tyranny ensues and, in addition, economic stagnation in the production of a wide range of consumer goods and of services of the material and spiritual order – those, namely, which are in a great measure dependent upon the exercise and stimulus of individual creative talent" (John XXIII 1961, no. 57). Therefore, the Pope expects innovation and the creation of markets for new goods from business people. On the other hand, without the proper state interference into economic chaos, exploitation, dishonesty, and poverty for part of the citizens appears (John XXIII 1961, no. 58). Salaries shouldn't be the result of free market and competition, because the stronger may then exploit the weakness of employees by imposing poor wages (John XXIII 1961, no. 71). Economic freedom for the weaker market side is only apparent because, in fact, the employers can exploit employees by paying them low wages while maximizing their own benefits. The Pope confirms the human right to private property and freedom in deciding economically, by default, indicates the important role of the market mechanism to implement the right to private property by purchase and sale transactions (John XXIII 1961, no. 109).

Private property protects the right to freedom and contributes to the creation of a healthy social order (John XXIII 1961, no. 111). However, private property also has a social function that manifests itself in the help for persons being in a difficult financial situation for example. Private property allows for charity actions and Christian love of neighbor (John XXIII 1961, no. 120). The Church calls for the state to provide basic public goods, because the market isn't able to provide these goods. He has particularly the rural population in mind (John XXIII 1961, no. 127). Due to specific economic characteristics of agricultural products, the state should regulate their prices so that agricultural production isn't too risky and provide farmers equitable remunerations. Moreover, since agricultural products meet the basic needs of man, their prices should allow for their acquisition by everyone (John XXIII 1961, no. 137–140). Science and technological development (new technical releases in order to meet consumer needs) can be a threat to maintaining the correct hierarchy of values. The expansions of markets can crowd out spiritual values, not to say their oblivion. Overvaluing the amenity of life and prosperity (John XXIII 1961, no. 176). The Church recalls that all social institutions should serve individual people. Also, the market is such an institution, so it should therefore be organized in order to serve every man (John XXIII 1961, no. 219). The market should be treated as a tool that man uses to make it easier to achieve higher purpose; i.e., becomes better, both in natural as well as supernatural terms (John XXIII 1961, no. 246). The Church reminds the human right to rest on Sundays. The Catholic shouldn't work on Sundays, but to spend this time with family in order to deepen the bond and participate in the Eucharistic Sacrifice. Employers, employees, and consumers should keep this commandment. This means that markets should not be open on Sundays (John XXIII 1961, no. 248–253).

The next encyclical of John XXIII is the Encyclical *Pacem in terris*. All relations between people must be based on the fundamental principle that man is a person, because he has a mind and free will as well as rights and obligations resulting from the very nature of man. Only then will people's lives be properly developed (John XXIII 1963, no. 9). To implement human rights, institutions ensured by powerful authorities are inevitable, which protect man (among others) in case of illness, incapacities to work, old ages, indirect loss of livelihood (John XXIII 1963, no. 11), and enable him to acquire education (John XXIII 1963, no. 13). In all of these cases (more or less), severe market failures occur; that is, markets do not provide socially efficient solutions. Man also has a natural right to fair working conditions and business activity (John XXIII 1963, no. 19 and 20). Market participation is an implication of basic human rights. Another implication is the right to private ownership, which contributes to protect human dignity, strengthen peace, and increase in prosperity (John XXIII 1963, no. 21). Private ownership

is, however, subject to social obligations (John XXIII 1963, no. 22). All areas of societal relations must be based on truth (John XXIII 1963, no. 35). This means that each man (producer, consumer, seller) involved in a market is required to act truthfully and don't use lies. Then, the market is useful and represents human dignity. Authorities have a valid role in the function and development of society. Their main aim should be the common good. Economic development is one of its elements, including providing public goods, poverty support, increased family responsibilities, and accidents (John XXIII 1963, no. 64).

An important document of the Church is the Pastoral Constitution on the Church in the Modern World *Gaudium et spes*, which appeared in 1965. The purpose of all social institutions should be the person (*Gaudium et spes*, no. 25). This also applies to the market, which should be organized such that the person is enabled to act according to its entity. Human pride and egoism are basic causes of societal dysfunction (*Gaudium et spes*, no. 25). The council recalls above all the necessity to respect each human person and help each human in need. The council considers the following practices shameful in socio-economic life: abortion, psychological compulsion, inhuman living conditions, prostitution, trade in women and young people, and inhumane working conditions in which the employee is treated simply as a tool for profit (*Gaudium et spes*, no. 27). The Church is opposed to individual opportunism, which manifests itself in economic life; e.g., in fraud, tax avoidance or other social evils (*Gaudium et spes*, no. 30). The council recalls that man is the author, center, and purpose of the entire economic and social life. Economics and its progress, including the enhancement of markets, contribute to better meet people's needs. The Church expresses its anxiety for economic conditions in which poor people lose while the rich simultaneously gain (*Gaudium et spes*, no. 63). The Church definitely approves economic progress, provided that it serves man as a whole (in financial, moral, spiritual, and religious aspects) (*Gaudium et spes*, no. 64).

"Economic development must remain under man's determination and must not be left to the judgment of a few men or groups possessing too much economic power or of the political community alone or of certain more powerful nations" (*Gaudium et spes*, no. 65). Growing economic inequalities are dangerous, accompanied by intense individual and social discrimination. Particularly, it is necessary to help farmers (*Gaudium et spes*, no. 66).

Encyclical *Populorum progressio* is devoted to worldwide social and economic inequality. Real development of man and society cannot be limited only to economic progress. Development of every man and the entire man is necessary (Paul VI 1967, no. 14). Acquisition of goods by a man is fully entitled; however, this may be by greed and lead to materialism in all of its forms to oppress the spirit (Paul VI 1967, no. 18). Private property is subject to social restrictions, be-

cause it isn't possible to use the private ownership right without damage to the common good (Paul VI 1967, no. 23). The market should be organized in order to serve every man – without exception. “Economics and technology are meaningless if they do not benefit man, for it is he they are to serve” (Paul VI 1967, no. 34). The Pope calls for the implementation of the principle of social justice in trade relations among stronger and weaker nations (Paul VI 1967, no. 44). It isn't acceptable to forget about poor countries in which poverty and hunger prevail. “On the part of the rich man, it calls for great generosity, willing sacrifice and diligent effort. Each man must examine his conscience, which sounds a new call in our present times. Is he prepared to support, at his own expense, projects and undertakings designed to help the needy? Is he prepared to pay higher taxes so that public authorities may expand their efforts in the work of development? Is he prepared to pay more for imported goods, so that the foreign producer may make a fairer profit? Is he prepared to emigrate from his homeland if necessary and if he is young, in order to help the emerging nations?” (Paul VI 1967, no. 47). The Church notices that free trade between nations is acceptable if neither party differs unduly in the degree of richness. Market economies cannot be governed only by free and unfettered competition, because it raises economic dictatorship. The freedom of trade market will be right when it is based on the social justice principle (Paul VI 1967, no. 59). It's not about the abolition of competition, but its maintenance within the limits of justice. On the international level, the Church calls for the creation of international conventions in order to establish general rules concerning price adjustment (Paul VI 1967, no. 61).

In the apostolic letter *Octogesima adveniens*, Pope Paul VI analyzes new social issues, including those concerning markets. He admonishes the issue of producing and offering unnecessary products while part of people can't meet basic needs (Paul VI 1971, no. 9). Participants in the market are also social media offering their products (services). The owners of media are morally obliged to provide the truth, for influence they trigger on people and values, which they offer (Paul VI 1971, no. 20). The Christian cannot support doctrines which are opposed to his concept of man. This applies to both Marxism and Liberal doctrines (Paul VI 1971, no. 26). Market development and technological progress should be subordinated to human progress in truth, development of moral awareness, opening to others, and towards God (Paul VI 1971, no. 41). The Pope calls for international relations based on justice and thinking in terms of the common good rather than on power. No country should be dominated economically – each country should have development potentialities in terms of cooperation (Paul VI 1971, no. 43). He also points out to the threat that may appear from international companies if they use their economic power in social, cultural, and political fields (Paul VI 1971, no. 44). Business activity is essential – it should be used to create human

conditions for the exchange of goods, to be based on mutual recognition of rights, and to confirm human work dignity. It should support the dialogue and cooperation between labor market parties. Business activity may also be a threat to freedom and, therefore, requires political intervention (based on the subsidiarity principle) (Paul VI 1971, no. 46).

John Paul II's Encyclical *Laborem exercens* is devoted to work. He writes about the so-called labor market. Although the Pope explicitly doesn't use this term (due to the fact that work is associated with human dignity), work has a personal dimension as well, as it isn't possible to lead and use this approach to human beings as people of working existence (John Paul II 1981).

In the next Encyclical (*Sollicitudo rei socialis*), John Paul II expresses his anxiety for the imbalances in the development of different regions of the world. From one side, there are areas rich in goods; on the other side, backward areas (John Paul II 1987, no. 14). Some have access to rich markets in products, other not. The Pope recognizes the role of basic human rights, which is a right to economic initiative. He notices that it is important not only for the individual but also for the common good. Entrepreneurship as a creative subjectivity of the citizen cannot be limited (John Paul II 1987, no. 15). Entrepreneurship creates new markets, implements new products and services, and forms places of employment. The Pope harshly assesses the arms trade without restrictions. From one side, economic assistance and action in favor of poor countries' development are limited; on the other side, weapons without any barriers get to these countries. Such economic relations lead to death rather than to development (John Paul II 1987, no. 24). Underdevelopment is accompanied by overdevelopment, relying on unlimited access of some to a huge variety of material goods, their continuous replacement by new products. The Pope is worried about materialism accompanied by radical insatiability. Continuous advertising and proposals to purchase new products raise aspirations on the one hand but don't enable to satisfaction of the deepest human desires on the other; and what's more, they drown them out (John Paul II 1987, no. 28). Market development is connected to a certain extent with the expansion of the attitude "to have" at a cost to the attitude "to be." Good markets create the culture of possession.

In the centenary of issuing the Encyclical *Rerum Novarum* of Pope Leo XIII, Pope John Paul II announced the Encyclical *Centesimus annus*. In the context view of the fall of political and economic systems based on Marxism, he writes about their economic incapacities that result from violating human rights, including the right to economic initiative, right to private property, and freedom in economic fields (John Paul II 1991, no. 24). Man is created to freedom, and this anthropological fact cannot be destroyed. However, it is necessary to remember that man while aspiring to do good is inclined to do bad (John Paul II 1991, no. 25).

The right to private property is a human right, enhancing his personal freedom (so to speak). Private property isn't an absolute right but is subject to social restrictions based on the law of the universal allocation of goods (John Paul II 1991, no. 30). Producing goods is no end in itself but also for other's use who, by paying a fair price, consented by free agreement to become owners of goods. The Pope appreciates here the incentive of competitive producers to acknowledge the needs of their customers by which appropriate goods are produced. Entrepreneurship is a wide variety of societies (John Paul II 1991, no. 32). The formations of enterprises and their growth is a realization of human freedom (John Paul II 1991, no. 32). On the other hand, the Pope writes:

“It would appear that, on the level of individual nations and of international relations, the free market is the most efficient instrument for utilizing resources and effectively responding to needs. But this is true only for those needs which are “solvent”, insofar as they are endowed with purchasing power, and for those resources which are “marketable”, insofar as they are capable of obtaining a satisfactory price. But there are many human needs which find no place on the market. It is a strict duty of justice and truth not to allow fundamental human needs to remain unsatisfied and not to allow those burdened by such needs to perish” (John Paul II 1991, no. 34).

The free market must be completed with the control of the society and of the state in order to satisfy all basic needs of the society as a whole (John Paul II 1991, no. 35). It is necessary to care about the access to markets, among others, by overthrowing barriers to entry and monopolies so that all nations could participate in it (John Paul II 1991, no. 35). Marketing establishes goods, and new releases enable us to better satisfy different human needs. Quality of life is improved. On the other hand, a rising culture of consumerism is detrimental to physical and spiritual health. The market also provides products to meet needs that hamper human maturity. It is necessary to bring man up to participate in the market and to competently use the right to choose. Responsible producers and consumers and the intervention of official authorities are needed (John Paul II 1991, no. 36). Economic development must also respect environmental constraints due to the responsibility towards future generations (John Paul II 1991, no. 37). The economy and the market are only two of the societal functions with an ethical dimension. Social life cannot be limited only to produce goods and provide services. Economic freedom is only one element of human freedom (John Paul II 1991, no. 39). The market mechanism isn't able to protect and ensure everyone's goods (employee rights, environmental protection, collective goods). There are goods that by their very nature aren't and shouldn't be possible to sell or buy (John Paul II 1991, no. 40). The market mechanism generates many benefits; for example, better use of stores, exchange of products, based on consumer's needs,

conclusion of contracts. However, an “idolatrous” view of the market that does not consider the existences of goods is detrimental, which by their nature cannot be ordinary goods (John Paul II 1991, no. 40). The Marxist view of market capitalism is false, because communism leads to deficiencies and economic failure (among others). Morally correct unconstrained production threatens consumers “when man becomes embroiled in a web of false and superficial satisfactions” (John Paul II 1991, no. 41). Manipulation must be the consequence of irresponsible mass media (John Paul II 1991, no. 41). Morally correct market functions must be enclosed within just legal systems for freedom protection. A radical ideology of capitalism based on a blind belief in solving all problems of market forces is fallacious. The Church recognizes a positive role of market and enterprises, provided that they are directed towards the common good (John Paul II 1991, no. 43). The market economy cannot work in an institutional, legal, and political vacuum (John Paul II 1991, no. 48). It is necessary to protect human freedom, a certain degree of security, private property, stability of money, and efficient public service. State intervention shouldn’t be exaggerated. It must be based on the subsidiarity principle that indicates that “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” (John Paul II 1991, no. 48).

The state and the market shouldn’t be an aim in itself – they are supposed to serve the human person (John Paul II 1991, no. 49). The development of markets and economic development contribute to strengthen peace; therefore, there is a collective responsibility for promoting development (John Paul II 1991, no. 52).

In 2009, Benedict XVI announced the Encyclical *Caritas in veritate*. As an area of human activity, the market must resist the tendency not to search for and rely on truth.

“Without truth, without trust and love for what is true, there is no social conscience and responsibility, and social action ends up serving private interests and the logic of power, resulting in social fragmentation, especially in a globalized society at difficult times like the present” (Benedict XVI 2009, no. 5).

Benedict XVI refers to the issue of globalized markets, with the tendency to move to low-cost production sites in order to be able to sell at lower prices and remaining competitive. This rush to low-cost production induces the states to compete with each other in order to attract foreign capital by favorable taxation and loosening legal rules protecting the working classes. This leads to the deterioration of social security schemes (Benedict XVI 2009, no. 25). However, it is necessary to notice that, thanks to the move to low-cost production, places of employment are created in poor countries. Of course, the issue of violating

human rights of working classes in poor countries still remains. The dramatic problem is hunger in the world. The Pope recalls the ethical imperative for solidarity and sharing for the universal Church. Without institutional provisions that ensure regular and appropriate access to food and water, the market isn't able to solve the problem of hunger. It is necessary to eliminate structural causes that contribute to hunger and promote the development of agriculture in poor countries by investing in the country infrastructure, organization of markets, and education. The international community should sympathize with economically poor countries by financing projects such that, in the longer run, these countries are able to satisfy consumer demand themselves (Benedict XVI 2009, no. 27). Pope Benedict XVI characterizes the market from a broader perspective than the pure economic one as follows:

“In a climate of mutual trust, the market is the economic institution that permits encounter between persons, inasmuch as they are economic subjects who make use of contracts to regulate their relations as they exchange goods and services of equivalent value between them, in order to satisfy their needs and desires. The market is subject to the principles of so-called commutative justice, which regulates the relations of giving and receiving between parties to a transaction. But the social doctrine of the Church has unceasingly highlighted the importance of distributive justice and social justice for the market economy, not only because it belongs within a broader social and political context, but also because of the wider network of relations within which it operates. In fact, if the market is governed solely by the principle of the equivalence in value of exchanged goods, it cannot produce the social cohesion that it requires in order to function well. Without internal forms of solidarity and mutual trust, the market cannot completely fulfil its proper economic function. And today it is this trust which has ceased to exist, and the loss of trust is a grave loss. It was timely when Paul VI in *Populorum Progressio* insisted that the economic system itself would benefit from the wide-ranging practice of justice, inasmuch as the first to gain from the development of poor countries would be rich ones. According to the Pope, it was not just a matter of correcting dysfunctions through assistance. The poor are not to be considered a “burden”, but a resource, even from the purely economic point of view. It is nevertheless erroneous to hold that the market economy has an inbuilt need for a quota of poverty and underdevelopment in order to function at its best. It is in the interests of the market to promote emancipation, but in order to do so effectively, it cannot rely only on itself, because it is not able to produce by itself something that lies outside its competence. It must draw its moral energies from other subjects that are capable of generating them” (Benedict XVI 2009, no. 35).

The market cannot solve all social problems. Business activity cannot be completely separated from the political arena, which should promote justice by

redistributing income and wealth. Within a morally acceptable market economy, the stronger ought not dominate above the weaker. Otherwise, freedom disappears, and into its place power enters (which contradicts justice). Benedict XVI writes:

“The market can be a negative force, not because it is so by nature, but because a certain ideology can make it so. It must be remembered that the market does not exist in the pure state. It is shaped by the cultural configurations which define it and give it direction. Economy and finance, as instruments, can be used badly when those at the helm are motivated by purely selfish ends. Instruments that are good in themselves can thereby be transformed into harmful ones. But it is man’s darkened reason that produces these consequences, not the instrument per se. Therefore it is not the instrument that must be called to account, but individuals, their moral conscience and their personal and social responsibility” (Benedict XVI 2009, no. 36).

The Pope calls for developing the economics of gift; i.e., market actions that aren’t based only on the logic of profit but also on voluntary giving. It is about market function, on which in a freeway, in conditions of even chances, they will conduct the company’s activity that carries out various institutional objectives. Some are intended for profit, and others can be used for mutual aid and social objectives, extending beyond the logic of equal value exchange and profit as a purpose in itself (Benedict XVI 2009, no. 38). In contemporary economies, consumers and their associations have great power. It is necessary to remember that buying isn’t only an economic act, but also a moral one. The consumer is a person bearing responsibility for his/her market choices. Therefore, it is necessary to incessantly bring consumers up for competent and responsible consumerism. The Pope encourages us to provide fair prices for producers for purchases of products coming from poor countries. Market transparency is a necessary condition for fair prices (Benedict XVI 2009, no. 66).

3. Conclusions

Markets are social institutions that help better meet consumer wants by enabling the exchange of goods and services. Moreover, markets favor economic development and strengthen peace among nations. Markets are part of social relations and cannot operate apart from societal embedding.

As such, all decisions of market participants have a moral dimension, because these are people’s actions. The human person is the main market subject. Market participants are requested to act in a trustworthy fashion – each manipulation and lie in market activity means an instrumental treating the person.

The market is that human relation that must be based on the principle of respect towards every person. Therefore, each transaction that intends to despise one contract partner is morally wrong. The producer, seller, and consumer not only bear an economic responsibility for their market choices, but also a moral one.

Market freedom means that all transaction parties possess in reality (rather than only formally) equal rights. Market freedom represents an extension of personal freedom. In order to ensure compliance with the freedom of market, state institutions have to prevent private market power by a competition policy. A threat to the social good is unfettered free competition. Market competition is socially useful, but it requires wise supervision, particularly with respect to the protection of weak and poor people.

The Church calls the state to provide basic public goods, since the market isn't able to provide them. Without appropriate institutional provisions, markets won't solve the problem of hunger in the world.

One of the basic human rights is the right to private property, which has a dual character: individual (it serves the individual good) and social (it has the public good in mind). Private property represents a prerequisite for the functioning of market mechanisms and economic development. The individual and social character of private property means that it ought to be used not only with respect to pure self-interest but also to the common good. Private property ensures personal freedom and contributes to a healthy social order.

It is necessary to remember that the so-called labor market has a peculiar character, because human labor isn't an ordinary good. Labor involves a man who has dignity. Wages shouldn't be the result of exploitation of weaker employees by stronger employers; otherwise, freedom on labor markets is only apparent. Then will we have the appearance of economic freedom.

Market provision of established foods and new releases enables us to better satisfy human needs. Quality of life is improved. Currently, market thinking spreads into all areas of human life; however, it may be a threat to the harmonious improvement of human nature (which has both material and spiritual dimensions). Market development crowds out spiritual values by overvaluing the amenity of life and prosperity. The currently rising culture of consumerism hampers physical and spiritual health. It is necessary to bring man up to participate in the market through competently utilizing the right to choose.

Promoting individual entrepreneurship is inevitable for innovation and the creation of new markets. The Church expects business people to form enterprises and develop markets. Private initiative and individual prudence of individuals enhance the improvement of living conditions. Entrepreneurship creates new markets, implements new products and services, and forms places of employment.

Trade relationships among stronger and weaker nations should be based on the principle of fairness. Weaker countries ought not to be exploited by stronger countries. Therefore, it is necessary to develop international principles with respect to social justice. It is necessary to care about the access to markets for poor countries, among others, by overcoming barriers to entry and monopolies so that all nations can participate in worldwide economic development.

References

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- [6] John XXIII (1963) *Pacem in terris*.
- [7] Leo XIII (1891) *Rerum Novarum*.
- [8] Paul VI (1967) *Populorum progressio*.
- [9] Paul VI (1971) *Octogesima adveniens*.
- [10] Pius XI (1931) *Quadragesimo anno*.
- [11] Pius XI (1937) *Divini Redemptoris*.
- [12] Pius XII (1939) *Summi Pontificatus*.
- [13] Second Vatican Council (1965) *Pastoral Constitution on the Church in the Modern World Gaudium et spes*.