

CARITAS IN VERITATE:
POPE BENEDICT XVI ON DEVELOPMENT

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Caritas in Veritate, released to the public on June 29, 2009 and known in English as *Charity in Truth*, is Pope Benedict XVI's first social encyclical. His message is presented in eight parts: introduction, six chapters, and conclusion.

Anyone who has not yet read the encyclical is warned that Benedict uses charity and love interchangeably. Take, for example, the second sentence in his introduction: "Love -- caritas -- is an extraordinary force which leads people to opt for courageous and generous engagement in the field of justice and peace" (§ 1). And this, also from the introduction: "Charity is love received and given" (§ 5). Thus *Caritas in Veritate* could have been rendered as *Love in Truth*. In our remarks we will refer to it as *Caritas in Veritate*.

Our interest in the encyclical is primarily in what the Holy Father says that is relevant to economics and economic development. For that reason, our comments are organized along these lines: fundamentals, implications for economics, implications for globalization and economic development, what's new or re-affirmed, what's ambiguous, questionable, or excluded. Throughout we use the English language version of the encyclical which is accessible at the Vatican website.

In the following, Benedict's message is seen through the prism of the author's own perspective on economics and economic affairs in which the outdated concept of the economic agent as an individual and the underlying philosophical foundations of neo-classical economics in the individualism of the 17-18th century Enlightenment and script stage of human communication are replaced by the concept of the economic agent as a person and the philosophy of personalism both of which are much better suited to the 21st century and the electronic stage of human communication. We refer to this new way of thinking about economics and economic affairs as personalist economics.¹

FUNDAMENTALS

We present Benedict's fundamentals in bulleted fashion without comment. Each one is directly quoted from the encyclical. Readers who disagree with the encyclical's message regarding economics and economic development likely will trace that disagreement to these fundamentals. In the following, the fundamentals are not ranked and presented in any order of priority because rank ordering them ultimately is Benedict's prerogative not the author's.

► Without God man neither knows which way to go, nor even understands who he is (§ 78).

► *God's love calls us to move beyond the limited and ephemeral, it gives us the courage to continue seeking and working for the benefit of all, even if this cannot be achieved immediately and if what we are able to achieve, alongside political authorities and those working in the field of economics, is always less than we might wish (§ 78; emphasis in the original).*²

¹ For more on personalist economics go to www.mayoresearch.org.

² This repeats the message in Benedict XVI's 2007 encyclical *Spe Salvi*, § 35.

► While in the past it was possible to argue that justice had to come first and gratuitousness could follow afterwards, as a complement, today it is clear that without gratuitousness, there can be no justice in the first place (§ 38).

► In *development programmes*, the principle of the *centrality of the human person*, as the subject primarily responsible for economic development, must be preserved (§ 47; emphasis in the original).

► The exclusion of religion from the public square – and, at the other extreme, religious fundamentalism – hinders an encounter between persons and their collaboration for the progress of humanity (§ 56).

► Hence it is important to call for a renewed reflection on how *rights presuppose duties, if they are not to become mere licence ...* A link has often been noted between claims to a “right to excess,” and even to transgression and vice, within affluent societies, and the lack of food, drinkable water, basic instruction and elementary health care in areas of the underdeveloped world and on the outskirts of large metropolitan centres. The link consists of this: individual rights, when detached from a framework of duties which grants them full meaning, can run wild, leading to an escalation of demands which is effectively unlimited and indiscriminate (§ 43).

► *The principle of subsidiarity must remain closely linked to the principle of solidarity and vice versa*, since the former without the latter gives way to social privatism, while the latter without the former gives way to paternalist social assistance that is demeaning to those in need (§ 58; emphasis in the original).

► Yet we must not underestimate the disturbing scenarios that threaten our future, or the powerful new instruments that the “culture of death” has at its disposal. To the tragic and widespread scourge of abortion we may well have to add in the future – indeed it is already surreptitiously present – the systematic eugenic programming of births. At the other end of the spectrum, the pro-euthanasia mindset is making inroads as an equally damaging assertion of control over life that under certain circumstances is deemed no longer worth living (§ 75).

► *Openness to life is at the centre of true development* (§ 28; emphasis in the original).

► Because it is a gift received by everyone, charity in truth is a force that builds community, it brings all people together without imposing barriers or limits (§ 34).

► The right to food, like the right to water, has an important place within the pursuit of other rights, beginning with the fundamental right to life (§ 27).

► It is not by isolation that man establishes his worth, but by placing himself in relation with others and with God (§ 53).

► If there is a lack of respect for the right to life and a natural death, if human conception, gestation and birth are made artificial, if human embryos are sacrificed to research, the conscience of society ends up losing the concept of human ecology and, along with it, that of environmental ecology (§ 51).

► By considering reciprocity as the heart of what it is to be a human being, *subsidiarity is the most effective antidote against any form of all-encompassing welfare state* (§ 57; emphasis added).

IMPLICATIONS FOR ECONOMICS

Our reading of *Caritas in Veritate* yields the following propositions for economics.

► Economic affairs are determined not by the market – supply and demand -- which in the end is only a manner of speaking, but by living, breathing human beings acting in economic affairs. The rational thoroughly self-interested economic man known in neo-classical economics as *homo economicus* is not an accurate representation of the economic agent.

Economy and finance, as instruments, can be used badly when those at the helm are motivated by purely selfish ends ... Therefore it is not the instrument that must be called to account, but individuals, their moral consequence and their personal and social responsibility (§ 36; see also §§ 45, 53, 78).

► Lack of trust is a serious problem in economic affairs.

Without internal forms of solidarity and mutual trust, the market cannot completely fulfill its proper economic function. And today it is this trust which has ceased to exist, and the loss of trust is a grave loss (§ 35; emphasis in the original).

► Humans inevitably are valued instrumentally in economics affairs (market determined wages do this). In life, however, they must be valued as persons made in the “image of God.”

Much in fact depends on the underlying system of morality. On this subject the Church’s social doctrine can make a specific contribution, since it is based on man’s creation “in the image of God” (Genesis 1:27), a datum which gives rise to the inviolable dignity of the human person and the transcendent value of natural moral norms (§ 45).

► Milton Friedman among others is wrong in arguing that the only purpose of the company is to make profits for its owners. Profits are a means rather than an end and profit maximization is not a universal motivation.

What should be avoided is a speculative *use of financial resources* that yields to the temptation of seeking only short-term profit, without regard for the long-term sustainability of the enterprise, its benefit to the real economy and attention to the advancement, in suitable and appropriate ways, of further economic initiatives in countries in need of development (§ 40; emphasis in the original).

► The subprime mortgage mess brought to light serious abuses underscoring the need for limits on economic agents acting in financial affairs.

The weakest members of society should be helped to defend themselves against usury, just as poor peoples should be helped to derive real benefit from micro-credit, in order to discourage the exploitation that is possible in these two areas (§ 65).

Financiers must rediscover the genuinely ethical foundation of their activity, so as not to abuse the sophisticated instruments which can serve to betray the interests of savers (§ 65).

IMPLICATIONS FOR GLOBALIZATION AND ECONOMIC DEVELOPMENT

Benedict's *Caritas in Veritate* is in large measure a comment on and extension of Paul VI's 1967 encyclical *Populorum Progressio*. Chapter One of Benedict's encyclical is devoted entirely to message of *Populorum Progressio* which is cited 45 times in a total of 159 endnotes.

► Early on in *Caritas in Veritate* Benedict warns of the extraordinary risks associated with globalization which Paul VI had foreseen in part but not the speed with which it has propelled world economic affairs.

... without the guidance of charity in truth, [globalization] could cause unprecedented damage and create new divisions within the human family” (§ 33).

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 (§ 42).

► Benedict offers two fundamental remedies to meet the challenges posed by what he calls “the *explosion of worldwide interdependence*” (§ 33; emphasis in the original). The first resides in human reason.

[The challenge relates to] *broadening the scope of reason and making it capable of knowing and directing these powerful new forces, animating them*

with the perspective of that “civilization of love” which seed God has planted in every people, in every culture (§ 33; emphasis in the original).

The second inheres in human values.

Development is impossible without upright men and women, without financiers and politicians whose consciences are finely tuned to the requirements of the common good. Both professional competence and moral consistency are necessary. When technology is allowed to take over, the result is confusion between ends and means, such that the sole criterion for action in business is thought to be the maximization of profits, in politics the consolidation of power, and in science the findings of research (§ 71; emphasis in the original).

Benedict thereby is directly challenging economics to re-think the way it understands and represents the behavior of the firm in the abstract and the role of the firm in global economic affairs.

► Benedict calls attention to a very serious problem which besets even economically advanced nations and which threatens to undermine their prosperity.

... formerly prosperous nations are presently passing through a phase of uncertainty and in some cases decline, precisely because of their falling birth rates; this has become a crucial problem for highly affluent societies. The decline in births, falling at times beneath the so-called “replacement level,” also puts a strain on social welfare systems, increases their cost, eats into the savings and hence the financial resources needed for investment, reduces the availability of labourers, and narrows the “brain pool” upon which nations can draw for their needs (§ 44).

In this regard, he is not alone. In the United States, for example, the Social Security retirement system operates on a pay-as-you-go basis which means that the current generation of retired workers has their benefits paid through the contributions of the current generation of active workers and their employers. The trustees of that system stated most recently that the surplus in the system’s trust fund will be depleted entirely by 2037 because there will be too few workers supporting a retired population which is growing rapidly due to medical advances which extend the lives of the elderly and the baby boom generation which started to become eligible for retirement benefits in 2008. The Medicare hospital insurance trust fund will be depleted by 2017 (*Status of the Social Security and Medicare Programs*).

► Conservation and redistribution of energy resources, Benedict states, are critically important to “the care and preservation of the environment” and to the economies of both developing nations and those which are more advanced (§ 49).

The technologically advanced societies can and must lower their domestic energy consumption, either through an evolution in manufacturing methods or through greater ecological sensitivity among their citizens ... What is also needed, though, is a worldwide redistribution of energy resources, so that countries lacking those resources can have access to them (§ 49).

He provides no details as to how the redistribution of energy resources is to be accomplished. However, by stating that the fate of resource-poor countries should not “be left in the hands of whoever is first to claim the spoils” (§ 49) he implies his support for some type of supra-national organization to address the redistribution question and puts himself at odds with advocates of market-based solutions.

► Benedict underscores one other area of great consequence in global economic affairs: the outsourcing of production.

... the so-called outsourcing of production can weaken the company’s sense of responsibility towards the stakeholders – namely the suppliers, the consumers, the natural environment and broader society – in favour of the shareholders, who are not tied to a specific geographical area and who therefore enjoy extraordinary mobility... Even if the ethical considerations that currently inform debate on the social responsibility of the corporate world are not all acceptable from the perspective of the Church’s social doctrine, there is nevertheless a growing conviction that *business management cannot concern itself only with the interests of the proprietors, but must also assume responsibility for all the other stakeholders who contribute to the life of the business: the workers, the clients, the suppliers of various elements of production, the community of reference* (§ 40; emphasis in the original).

Benedict for sure is not alone in calling for businesses to demonstrate greater concern for stakeholders in everyday decision-making. Even so, this admonition will not will favor with libertarians and neo-classical economists who insist that the firm’s decision-making process rests solely on the property rights of the shareholders and nothing, not even the needs of anyone else whose fortunes are tied to the firm, should impinge on those rights.

WHAT’S NEW, WHAT’S RE-AFFIRMED?

► Two assertions in *Caritas in Veritate* appear to be entirely new and unprecedented in the history of public statements from the papacy. The one relates to intellectual property rights in health care, the other to subsidiarity in fiscal affairs. The first contains no details, the second only the barest of details. Both are sure to be controversial.

On the part of rich countries there is excessive zeal for protecting knowledge through an unduly rigid assertion of the right to intellectual property, especially in the field of health care (§ 22).

Presumably this relates to patent rights on pharmaceutical products which due to that protection are priced so that they are unaffordable to those in poor countries who need them the most. Those rights, of course, are property rights and refining and restricting them makes the development of new pharmaceutical products even more problematical.

One possible approach to development aid would be to apply effectively what is known as fiscal subsidiarity, allowing citizens to decide how to allocate a portion of the taxes they pay to the State. Provided it does not degenerate into the promotion of special interests, this can help stimulate forms of welfare solidarity from below, with obvious benefits in the area of solidarity for development as well (§ 60).

One can see quite readily how the fiscal subsidiarity argument might be used by groups of citizens committed to limiting military expenditures, funding for abortions, and the like. How it would be used by groups committed to enabling the economic development of poor countries is a much more problematical and challenging matter.

► *Caritas in Veritate* re-affirmed two themes which have a long history in Catholic social teaching: charity and the common good. Our comments in the following necessarily are extended due to the linkage between the common good and the principle of subsidiarity and the various meanings given to charity, social charity, and solidarity.

Citing *Gaudium et Spes*, Benedict in *Caritas in Veritate* expresses the common good as follows:

Beside the good of the individual, there is a good that is linked to living in society: the common good. It is the good of “all of us,” made up of individuals, families and intermediate groups who together constitute society (§ 7).

Even so, not all human needs are common needs. Since every human being is a unique, one-of-a-kind individual, certain needs strictly speaking are individual needs and wants which are met or satisfied by eyeglasses, shoes, baby formula, engagement rings, botox treatment of facial wrinkles, muscle cars, and the like. To differentiate them from common goods, we refer to them as personal goods.

Accepting subsidiarity as a governing organizational principle, it follows that the common good is served first by private goods and then by public goods as necessary. It is not by definition served by the production of personal goods. By demanding “all that is necessary for the common good,”³ social justice is served at times by public goods but preferentially by private goods.

³ See the Latin text of Pope Pius XI’s *Divini Redemptoris* which translated into English defines social justice as follows: “Now it is of the very essence of social justice to demand *from* each individual all that is necessary for the common good” (emphasis added). The English text mistakenly defines social justice in these words: “Now

Two key problems remain. What to do when the economic system does not produce all that is necessary for the common good? What to do when it does not produce all of the necessary personal goods? The first is a problem of production. The second is a problem of distribution.

The production problem requires an ongoing public discourse on the very structure of our economic institutions, especially the role of private enterprises vs. public agencies in the process of production. The solution might lie in public agencies offering private enterprises assistance to produce the goods necessary to serve the common good. Or it might involve public agencies taking on a more aggressive regulatory role. It might extend to direct government control of private enterprises, ownership of those enterprises, or both. Alternatively, it could involve deregulation and privatization in order to free private enterprises from a government sector that has grown too large to be effective. Subsidiarity can be helpful in this discourse. Even so, the discourse can run on for years as it has in the United States regarding the health care system.

In an economy such as the United States which produces goods of all kinds in abundance, an insufficiency of personal goods is not a production problem, it is not a social justice problem. It is instead a distribution problem, a problem of poverty. As so ably demonstrated by the likes of Mother Teresa and her community of nuns, relieving this insufficiency often is prompted by the *theological* virtue of charity “by which we love God above all things for his own sake, and our neighbor as ourselves for the love of God” (*Catechism of the Catholic Church*, § 822). At the same time, the *natural* virtue of caring infused with the conviction that every human being is precious motivates many others to alleviate the very same insufficiency. Confusion spreads even further when it is not clear what a person means when he/she uses the term social charity. Does that person refer to the theological virtue of charity or the natural virtue of caring?

We turn next to the meaning of solidarity and how it relates to charity. In *Rerum Novarum* (§ 14), Pope Leo XIII referred to the family as “part of the commonwealth” and made clear that Christians are expected to help any family in need as “a duty, not of justice (save in extreme cases), but of Christian charity – a duty not enforced by human law” (§ 22). Here the Holy Father clearly means the theological virtue.

According to Ederer (p.107), the language “social charity” originated in section 88 of *Quadragesimo Anno* wherein Pope Pius XI meant neither the theological virtue nor caring. Rather, the Pontiff’s intent was to identify it with solidarity. To underscore this important point, Ederer (p.114) asserts that the concept of solidarity was developed at length by Pope John Paul II in *Sollicitudo Rei Socialis*.

it is of the very essence of social justice to demand *for* each individual all that is necessary for the common good” (emphasis added). The Vatican website is the source of both texts.

In that encyclical John Paul says that there is a “growing awareness of interdependence among individuals and nations,” a transformation which is “acquiring a moral connotation.”

[Solidarity] ... is not a feeling of vague compassion or shallow distress at the misfortunes of so many people ...it is a firm and persevering determination to commit oneself to the common good; that is to say to the good of all and of each individual, because we are all really responsible for all (*Sollicitudo Rei Socialis*, § 38).

... it has been possible to identify many points of contact between solidarity and charity, which is the distinguishing mark of Christ’s disciples. In the light of faith, solidarity seeks to go beyond itself, to take on the specifically Christian dimension of total gratuity, forgiveness and reconciliation ...One’s neighbor must therefore be loved, even if an enemy, with the same love which the Lord loves him or her ... (§ 40).

In *Centesimus Annus* (§ 10) John Paul identifies solidarity with social charity. In *Caritas in Veritate* Benedict employs “solidarity” frequently and attributes it to John Paul. He never once uses “social charity” and offers the following insight to clarify the difference between justice and solidarity both of which are directed toward the common good.

In the global era, economic activity cannot prescind from gratuitousness, which fosters and disseminates solidarity and responsibility for justice and the common good among different economic players. It is clearly a specific and profound form of economic democracy. Solidarity is first and foremost a sense of responsibility on the part of everyone with regard to everyone, and it cannot therefore be merely delegated to the State. While in the past it was possible to argue that justice had to come first and gratuitousness could follow afterwards, as a complement, today it is clear that without gratuitousness, there can be no justice in the first place... Charity in truth ...requires that shape and structure be given to those types of economic initiative which, without rejecting profit, aim at a higher goal than the mere logic of the exchange of equivalents, of profit as an end in itself (§ 38).

WHAT’S AMBIGUOUS, QUESTIONABLE, WHAT’S EXCLUDED?

At first reading, parts of *Caritas in Veritate* seem to be either ambiguous or questionable, especially as regards to solidarity, poverty and unemployment, social justice and contributive justice, and pawnbroking.

As stated in the preceding section “social charity” does not appear in the encyclical. Neither does “preferential option for the poor” but Benedict in effect affirms this option by selecting development as the theme of his first social encyclical in which poverty encompasses more than just an insufficiency of materials goods to meet human material

needs. To Benedict development means all that is necessary for integral human development.

This dynamic of charity received and given is what gives rise to the Church's social teaching which is *caritas in veritate in re sociali*: the proclamation of the truth of Christ's love in society...Development, social well-being, the search for a satisfactory solution to the grave socio-economic problems besetting humanity, all need this truth (§ 5; emphasis in the original).

► As to ambiguity, Benedict refers to “international solidarity,” “social solidarity,” and “welfare solidarity” (§ 60) without clarifying how those terms differ from “solidarity” as defined by John Paul. The use of these terms seems to relate somehow to the principle of subsidiarity.

Further, in addressing regulation of the financial sector he refers approvingly to pawnbroking (§ 65) without telling the reader that he means something substantially different than the current practice. It seems that Benedict means a no-interest loan which is secured by an item that is pawned and in which the borrower is expected to make a donation to the church – a practice which apparently originated in Italy in the 15th century (see “Pawnbroking”). Thus pawnbroking in *Caritas in Veritate* means charity.

The emphasis in contributive justice on the duty of the member to the group -- insofar as a person receives benefits from a group that person has a duty to maintain and support the group -- and the duty of the person under social justice to contribute all that is necessary for the common good suggest that social justice and contributive justice are identical. Apparently Benedict embraces this view (§ 35). If indeed he does, we think this is unfortunate because we see social justice as a package deal requiring conformance to the demands not just of contributive justice, but distributive justice and commutative justice as well.⁴

► In one short section of *Caritas in Veritate* (§ 63) Benedict states his intention to address the problem of development in the context of poverty and unemployment. Aside from clearly expressing his purpose, Benedict engages in such generalities as “a global coalition in favour of ‘decent work’,” “essential dignity of every man and woman,” “work that enables the worker to be respected and free from any form of discrimination,” without offering any specifics.

In the following section of *Caritas in Veritate* (§ 64) he seems to place his confidence in unions. But how does one address the problem of workplace injustice in a developed

⁴ Distributive justice demands that the head of a group distribute the benefits and burdens of the group among its members in some equal fashion. Commutative justice demands of both parties to exchange things of equal value and to impose equal burdens on one another. For more on all three principles of economic justice, see Chapter Seven of my “Personalist Economics: Putting the *Acting Person* in the Center of Economic Affairs” available at www.mayoresearch.org/files/TEXTsep222007.pdf.

market economy when producers are free to outsource production and work to developing countries with much lower labor standards? Further compounding this problem for unions in developed nations is Benedict's requirement that technologically advanced societies share their energy resources with other countries (see § 49) when those very resources are the wherewithal for increased production and better wages, hours, and working conditions?

If without charity there is no justice (see § 38), how is it possible to achieve justice in a workplace in an impoverished secular country? If trust no longer exists in market economies (see § 35), how does one achieve justice in an advanced market economy?

EVANGELIZATION IS THE ANSWER

If “without God man neither knows which way to go, nor even understands who he is” (see § 78), is justice in the workplace finally a problem of evangelization? This indeed is what Benedict asserts at the very end of his encyclical.

Only if we are aware of our calling, as individuals and as a community, to be part of God's family as his sons and daughters, will we be able to generate a new vision and muster new energy in the service of a truly integral humanism. The greatest service to development, then, is a Christian humanism that enkindles charity and takes its lead from truth, accepting both as a lasting gift from God (§ 78).

Development needs Christians with their arms raised toward God in prayer, Christians moved by the knowledge that truth-filled love, caritas in veritate, from which authentic development proceeds, is not produced by us, but given to us. For this reason, even in the most difficult and complex times, besides recognizing what is happening, we must above all else turn to God (§ 79; emphasis in the original).

This is Benedict's message of hope for the impoverished nations of the world. It was the message of ITEST founder Jesuit Robert Brungs in 2002:

As long as I can remember I have been impressed by the circumstances of the changing of water into wine at Cana ... the first thing that caught my interest years ago was the vast quantity of wine that resulted from Mary's intervention. The six stone water jars held about 20 to 30 gallons each. The evangelist tells us that the servants filled the jars to the brim with water, as Jesus had told them ... about a 120 to 150 gallons of water. Either this was a heavy-drinking crowd, a big wedding, or God was indeed profligate with all his gift of wine. I prefer the latter explanation: God is indeed profligate with all His gifts (Brungs, p. 2).

Several years earlier and possibly reflecting on the very same Scriptural passage, Brungs argued that the real barrier to economic development is a shortage of human imagination.

I find it hard to believe that God was so miserly that he created a universe of shortage. My intuition is that there is no shortage of God's gifts; the shortage is our lack of imagination (Brungs, p. 202).

We've tried top-down economic development models based on the usual premise of a scarcity of economic resources with only mixed results especially in subSaharan Africa. Perhaps it's time to find ways to implement Brungs' bottom-up model based on the unusual premise of a scarcity of human imagination.

His premise likely would have won favor with maverick economist Joseph Schumpeter who was described as "the great man who restored the human person as the dynamic factor in the explanation of economic activity"(Waters 1952,p. 19) and who identified the entrepreneur as the key agent in economic affairs whose efforts he famously characterized as "creative destruction." Known to be favorably impressed with Pius XI's ideas on social reorganization as set forth in *Quadragesimo Anno* (Waters 1961, pp. 136-137), Schumpeter conceivably might have agreed with *Gaudium et Spes* as quoted by Benedict in *Caritas in Veritate*: "Man is the source, the focus and the aim of all economic and social life" (§25).

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