

TEA PARTY CATHOLIC



**THE CATHOLIC CASE FOR
LIMITED GOVERNMENT,
A FREE ECONOMY,
and
HUMAN FLOURISHING**

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WITH A FOREWORD BY MICHAEL NOVAK

Self-Interest and Sin

“It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.”^[i] Few sentences have proved the subject of more sustained controversy. Many have interpreted Adam Smith’s words as implying “greed is good.” Following the 2008 Recession, concerns about the workings of greed and self-interest in the conditions of a market economy have only grown.

Not surprisingly, this issue of self-interest features heavily in many Catholic critiques of capitalism. On the face of it, Smith’s description of a fundamental motivating force underlying free markets seems to fly in the face of Christ’s call to love of neighbor and God. And greed is after all one of the seven deadly sins. The Scriptures, writings of the Fathers and Doctors of the Church, and constant teaching of the popes and councils are replete with condemnations of greed, especially love of money. Early in his pontificate, Pope Francis reminded Catholics that, from the Christian standpoint, there is something profoundly irrational about “greed for money that you can’t take with you and have to leave” when you die.^[ii]

Smith’s words hark back to claims made by the Dutch-born English philosopher, economist, and satirist Bernard de Mandeville (1670-1733) that are apparently even more offensive to Christian ethics. In his famous *Fable of Bees*^[iii] Mandeville portrayed a community of bees which positively thrived—that is, until its members suddenly decided to act virtuously. As a result of the disappearance of their pursuit of personal gain, the bees’ world implodes. The surviving bees find themselves surviving in a hollow tree living rather uninteresting lives.

The less-than subliminal message underlying Mandeville’s tale was that public benefit flows, paradoxically enough, from allowing people to indulge their vices. Thus the decadent but wealthy hedonist who spends all her time indulging her senses may well be living a life of vice. Yet in doing so, she unintentionally provides incomes for numerous hoteliers, make-up artists, hairdressers, travel agents, wine-makers, bartenders, and restaurant owners.

Leading scholars of Smith’s thought, such as James Otteson and Ryan Patrick Hanley, have demonstrated that Smith’s conception of self-interest can neither be reduced to self-interest narrowly-understood nor conceptualized in purely Mandevillian terms. They also observe that Smith’s *Wealth of Nations* should be situated in the wider corpus of his work, such as his *Theory of Moral Sentiments* (1759) which discusses the virtues and the moral life at length.^[iv]

Whatever the nuances of Smith’s own position, the issue of self-interest does create particular intellectual challenges for pro-market Catholics. In many ways, the free

economy *does* rely upon people pursuing their self-interest rather than being immediately focused upon promoting the well-being of others.

One response to this challenge is to recognize that fallen humanity cannot realize perfect justice in this world. “We can try to limit suffering, to fight against it”, Pope Benedict wrote in *Spe Salvi*, “but we cannot eliminate it.”^[v] This Christian truth helps us to understand, like Saint Augustine, that what fallen humanity can achieve “is always less than we might wish.”^[vi]

But long before Smith penned his *Wealth of Nations*, the Catholic Church acknowledged the role played by self-interest in generating, and, to an extent, *legitimizing* arrangements that bolster and incentivize economic liberty. Part of Aquinas’s defense of private ownership involves, for example, recognizing the un-reasonability of expecting most people to assume responsibility for the use of communally-owned economic goods.

In *Centesimus Annus*, John Paul II developed similar insights but made specific reference to self-interest. In practical terms, the pope noted, violent suppressing self-interest results in its replacement with burdensome state bureaucracy that slowly drains creativity out of society. To this hard-to-deny historical observation, John Paul added the following insight from Christian anthropology. “Man,” he wrote, “tends towards good, but he is also capable of evil. He can transcend his immediate interest and still remain bound to it. The social order will be all the more stable, the more it takes this fact into account and does not place in opposition personal interest and the interests of society as a whole, but rather seeks ways to bring them into fruitful harmony.”^[vii]

The market economy is one way of realizing this harmony, albeit often indirectly. If, for instance, a business fails to produce new or better products at lower prices, it risks disappearing altogether, along with the jobs and capital it creates. Entrepreneurs and businesses consequently have to identify the needs and wants of consumers and then work out how to meet such needs and wants in a faster, less expensive manner. A certain alignment is thus established between a business’s pursuit of its self-interest and other people’s economic well-being, without anyone actually intentionally choosing such harmonization as their primary goal. Consumers receive a product at a progressively lower cost while businesses make a profit. This enables commercial enterprises to pay back loans, employ more people, engage in research and development, expand their size, and produce new and better products at often progressively-lower costs which in a competitive environment lowers prices.

None of this means that the pursuit of self-interest in the market-place is cost-free. Sometimes a business is so successful that its competitors go out of business altogether. A certain degree of disruption (what Joseph Schumpeter famously called “creative destruction”) is constant in a market economy. As a result, some people *do* lose their jobs.

Some businesses *do* go bankrupt. And some people *do* have to retrain and start all over again.

Some defenders of markets are reluctant to acknowledge that embracing free enterprise, free markets, and liberty does mean trade-offs. Stability, for example, *is* sacrificed for mobility. Allowing people to pursue their economic self-interest *does* bring with it with many risks. The resulting wealth does create numerous resources that help literally billions of people to meet their needs, satisfy their wants, and potentially flourish precisely as humans should. Yet, as we will see, the same pursuit brings with it enormous spiritual and moral challenges—challenges that some free marketers deny at the risk of putting in peril the market economy itself.

Self-interest and the Common Good

For all the turmoil caused by markets, the creativity and competition flowing from people's pursuit of their self-interest in the marketplace contributes in many tangible ways to the common good. People, for example, often move to industries they receive better pay. Others find themselves working in more personally-satisfying occupations which provide more scope for human flourishing. Much-needed competition is introduced to parts of the economy where some businesses hitherto enjoyed a monopoly. Indeed it is hard to find a better description of free competition's beneficial effects than in the *Compendium of the Social Doctrine of the Church*:

A truly competitive market is an effective instrument for attaining important objectives of justice: moderating the excessive profits of individual businesses, responding to consumers' demands, bringing about a more efficient use and conservation of resources, rewarding entrepreneurship and innovation, making information available so that it is really possible to compare and purchase products in an atmosphere of healthy competition.[\[viii\]](#)

Observe here how the *Compendium* frames these issues as a matter of *justice* rather than efficiency. In other words, truly competitive markets—as opposed to crony capitalist arrangements—helps deliver to consumers, businesses, and entrepreneurs many of the things they are owed as a matter of right, albeit in often indirect and unintended ways.

Market competition is not of course sufficient. As the *Compendium* goes on to say, market competition is a *means* rather than an end in itself.[\[ix\]](#) Nor does the pursuit of self-interest in the economy always align individual well-being with the common good. Businesses, trade unions, and other groups have not proved shy about seeking to enlist state power to pursue their self-interest. Adam Smith himself emphasized the propensity of many businesses to try to rig the system in their favor. "People of the same trade," Smith wrote, "seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices."[\[x\]](#) In such cases, these businesses have ceased to be economically

entrepreneurial. Instead they turn out to be adept *political* entrepreneurs: experts at gaming the system rather than meeting consumer needs.

The injury done to the common good in these instances is considerable. This includes the basic injustice of governments according *privileges* to particular industries. In economic terms, it reduces the incentives for businesses to be *economically* creative and competitive, while increasing their incentives to curry favor with politicians and government officials. Certainly a type of “harmony,” in the sense of diminishing competitive turmoil, is temporarily established. But the long-term damage to many of the pre-conditions of human flourishing is difficult to underestimate. Note, however, that the problem is not the pursuit of self-interest *per se*. Rather it is the confluence of some people’s self-interest with state-power.

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[i] Smith, *Wealth of Nations*, I.ii.2.

[ii] Francis, “Palm Sunday Homily,” 24 March 2013, no. 3.
http://www.vatican.va/holy_father/francesco/homilies/2013/documents/papa-francesco_20130324_palme_en.html

[iii] See Bernard Mandeville, *The Fable of the Bees: or, Private Vices, Public Benefits* (1704/1715).
http://oll.libertyfund.org/index.php?option=com_staticxt&staticfile=show.php%3Ftitle=846&layout=html#chapter_66840

[iv] See James R. Otteson, *Adam Smith’s Marketplace of Life* (Cambridge: CUP, 2002).

[v] SS no.37.

[vi] CV no.78.

[vii] CA no.25.

[viii] *Compendium of the Social Doctrine of the Church* (2004), no.347.
http://www.vatican.va/roman_curia/pontifical_councils/justpeace/documents/rc_pc_justpeace_doc_20060526_compendio-dott-soc_en.html#Business%20and%20its%20goals

[ix] See, for example, *Compendium*, no.348.

[\[x\]](#) The Glasgow Edition of the Works and Correspondence of Adam Smith, vol. II, An Inquiry into the Nature and Causes of The Wealth of Nations, R.H. Campbell and A.S. Skinner (gen. eds.), (Indianapolis, IL: Liberty Fund, 1776/1981), I. ii. 2.