

# The World of Contemporary Finance - A Catholic Critique

by Gary Furnell

A recent book examines the enduring importance of Catholic teaching about economics and finance. Entitled *Money, Markets and Morals: Catholic Perspectives on Economics and Finance* (En Route Books and Media: St. Louis, Missouri, 2024), it is edited by the American social philosopher, Thomas Storck, who spoke at the 2008 Australian Chesterton Conference, "Redeeming the Culture: The Reforming Vision of G.K. Chesterton".

In this review, **Gary Furnell** highlights the perspectives that the Church's teaching makes available to help us judge present-day economic practices in such areas as productivity, interest on loans, and the stock market.



Tom Storck

The truth-defining principle of 1 John 4:6 is profound: Embracing apostolic teaching means embracing truth, while departing from apostolic teaching means embracing error.

This principle extends to economics and finance, the theme of *Money, Markets and Morals*. The contributors explain how Church teaching, from Christ to recent Papal Encyclicals, is fundamental to a just, stable economy.

This concise (187 pages), accessible book—the writers avoided *most* jargon—is an enlightening critique of some contemporary economic and financial practices. The common contention is that while these practices deliver wealth, the wealth may be unjustly accrued, unstable, and is idolatrous if money is made god.

The editor/contributor Thomas Storck, a US-based scholar, quotes from Pope Pius XI's encyclical *Quadragesimo Anno* (1931), establishing the Church's authority to make pronouncements about economic practices:

For the deposit of truth entrusted to Us by God, and Our weighty office of propagating, interpreting and urging in season and out of season the entire moral law, demand that both social and economic questions be brought within Our supreme jurisdiction, in so far as they refer to moral issues.

Storck adds:

It would be odd indeed were the Church to set forth the moral law for individual actions but be unable to do so for all the multifarious actions which mankind undertakes in common, for probably the majority of the world's activity consists in various kinds of joint actions.

After his introduction, Storck's first chapter examines the endemic, largely overlooked sin of usury. Pope Benedict XIV's 1745 encyclical *Vix Pervenit* defines the sin:

The law governing loans consists necessarily in the equality of what is given and returned; once the equality has been established, whoever demands more than that violates the terms of the loan... By these remarks, however we do not deny that at times together

with the loan contract certain other titles – which are not at all intrinsic to the contract – may run parallel with it. From these other titles, entirely just and legitimate reasons arise to demand something over and above the amount due on the contract.

The "certain other titles" were expanded (not by the Church's Magisterium) and exploited by merchants and lenders until we arrived at today's situation: interest on loans is expected and excessive.

## Gentler Catholic commentary

Chapter 2, *The Catholic Church and Capitalism* by Italian journalist, Count Guisepppe Dalla Torre (1885-1967) is a blast from the past. This contribution shows how the Catholic economic commentary has become gentler recently—perhaps weaker, perhaps more nuanced. He defines capitalism variously:

Capitalism, according to the most accepted scientific definitions, "is the dominion of capital as represented by money and stock market values that can be rapidly be centralized anywhere"... "It is the separation of those who provide the capital and those who contribute to production exclusively by their labor."

Torre says capitalism is a societal cancer: "a proliferation of atypical cells given to continuous growth, whose structure and action follows its own laws, different from those of normal tissue, and independent of the organism in which it forms and develops." He insists that communism is atheist in philosophy, while capitalism—with no set philosophy—is atheist in *praxis*. Torre refers to *Quadragesimo Anno*: a shrewd encyclical that steered the Church between the twin errors of communism and materialistic capitalism.

Garrick Small, an academic and friend of the Australian Chesterton Society, focuses on *Finance and the Problem of Value*. He defines economics: "Economics is the study of how human society satisfies the material needs of its members through social interaction based on toil, use of natural resources, and exchange."

He contrasts these legitimate activities with the concerns of finance: "Unlike economics, which tends to retain an interest in the things that are exchanged, finance is concerned only

with the abstracted values of those things, and who controls them.” The financial markets don’t produce anything; they make money by trading money. There’s an illusion of economic growth, but no real increase in productivity occurs, creating instability.

A further distortion in value occurs when retailers set prices based on the *maximum* they can expect from the consumer irrespective of production and procurement costs. We pay huge mark-ups for many things. Dr. Small notes that the functionality of an economy depends on the willingness of participants to act with justice, emphasising the need for constant evangelism.

### Concentrated vs distributed power

University of Dallas theologian John Médaille focuses his contribution on the irresponsibility inherent in the share market and the concentration of power in both huge corporations and the State that capitalism invites: precise responsibility is hard to identify.

Médaille contrasts this with a better model: multitudes of small businesses where responsibility is easily attributable, and production and profit are more equitably shared. This chapter echoes Chesterton’s critique of big business and big government.

Médaille suggests three reforms:

Any program of reform must have three goals in mind: one, reconnecting “ownership” with responsibility; two, spreading this real ownership throughout society; and three, encouraging investment while discouraging speculation.

Storck’s second contribution, *Investment: for or against the common good*, follows John Paul II’s encyclical *Centesimus Annus*, differentiating between investments that help people use their resources and labour, and investments that seek

profit without adding to productivity, especially speculation in financial markets.

The first investment is legitimate, the second is illegitimate. “Financial products” attract vast sums of money because of the huge profits gained through manipulation or deception. Storck observes that these activities are accepted because society is divorced from Catholicism’s transcendent understanding of man and society. Instead, purely temporal concerns foster avarice and selfishness.

### Just wage vs minimum wage

Distributist advocate David Cooney examines Church teaching on wages, insisting on a just wage (able to sustain a sensibly thrifty family) instead of a minimum wage. Both employers and employees have serious responsibilities to each other. He says,

... the Church’s teaching clearly points out that employers have obligations toward laborers because the latter are in a weaker position, the Church also teaches that the laborer must actually earn the wage he is paid and has his own obligations to his employer.

It becomes obvious that Papal encyclicals—*Quadragesimo Anno*, *Laborem Exercens*, *Centesimus Annus*, *Vix Pervenit*—constitute powerful correctives to the worst aberrations of modern economics, and these contributors have championed the Church’s wisdom. We’re reminded: Catholic social principles may be like dynamite, but our weapons are words, patience and prayers.

Some important points weren’t addressed: the vital role of entrepreneurs in an economy; the place of capitalism in raising many hundreds of millions of people from abject poverty to basic sufficiency over the past 30 years (an unprecedented achievement); and the distinction between communism’s insistence on a monolithic totalitarian system and capitalism’s many local diversities and degrees of religion or irreligion. ■

## Chesterton on Usury

“[St Thomas Aquinas] foresaw from the first the peril of that mere reliance on trade and exchange, which was beginning about his time; and which has culminated in a universal commercial collapse in our time.

He did not merely assert that Usury is unnatural, though in saying that he only followed Aristotle and obvious common sense, which was never contradicted by anybody until the time of the commercialists, who have involved us in the collapse. The modern world began by Bentham writing the *Defence of Usury*, and it has ended after a hundred years in even the vulgar newspaper opinion finding Finance indefensible.

But St. Thomas struck much deeper than that. He even mentioned the truth, ignored during the long idolatry of trade, that things which men produce only to sell are likely to be worse in quality than the things they produce in order to consume.”

- G.K. Chesterton, *St Thomas Aquinas* (1933)

