

## **KATALIN BOTOS: SOME QUESTIONS OF CATHOLIC ECONOMIC ETHICS**

Motto:

'...It would be a mistake to regard the economic order and the ethical one as independent of and alien to each other as if they had no relationship to each other at all' (*Quadragesimo Anno* 42).

'Economic ethics as a discipline, concerned with the moral behaviour of people who pursue economic activities, is part of the Christian social message in a stricter sense...' [1]

Obviously, the roots of the message of Christian economic ethics can be traced back to the Bible; its all-embracing historic interpretation is a great task. [2] [3] In any event, it can be stated that modern times with unprecedented economic development created a radically different situation. Ethical guidelines wanted a permanent reformulation. Social changes emerging due to the currents of thoughts in the Industrial Revolution and the Enlightenment induced not only several positive results but economic differences as well which seemed to be deeper, compared to the former ones and which could hardly be acceptable as being of heavenly origin. Although economics itself, aged more than two centuries, sought to become an independent and exact discipline separated from moral theology, ethical questions still cropped up time and again. The man, who transforms the earthly world to an ever greater extent, will shape his own environment himself. The question is raised in a more stark manner: Have we created a more righteous and brotherly world than existed during earlier ages having been more

backward from an economic point of view? (Here I consciously refer to the title of the Encyclical of the Hungarian Bishops' Conference.) And if we have not done so, because social inequalities became more widely spread and appeared as striking contrasts, what position does the Church take on this question? Is the situation, which has emerged, righteous and just? Or, is the requirement rightful on the elaboration of more detailed ethical norms which *include positive actions* and refer to human-created economic relations? This question has become all the more important because the representatives of utopian ideas proposed solutions promising an earthly paradise which were - and still are - contradictory to the message of the Church but the influence of which, at the same time, were and are still far-reaching.

In 1891 *Rerum Novarum* was issued and the fortieth anniversary of its publication was commemorated by *Quadragesimo Anno*. More papal documents followed with *Mater et Magistra* and the documents of the Second Vatican Council, *Gaudium et Spes*, *Populorum Progressio*, *Laborem Excersens*, *Sollicitudo Rei Socialis* and *Centesimus Annus*, marking the centenary of the issue of *Rerum Novarum*. Further, the message of the economic ethics of the Church has been treated by several additional papal proclamations as well as the standpoints and letters of various episcopacies. All of them have tried to answer the burning questions of the age. Parallel to the confirmation of lasting theses, emphasis was laid on the typical problems of the given age. While proclaiming the necessity of right and proper wages and rightful possession, *Rerum Novarum* sought to find the middle course between liberal 'wild' capitalism and the socialist and communist ideas which claimed nationalization, *Quadragesimo Anno* addressed the economic problems of the Great Depression, the issues of corporations and the necessity of safeguarding workers' interests. In the sixties, the Vatican

pointed at the contrast of the poor and the rich in the world economy and the negative impacts of the social phenomena of the consumer society. In the first decades of his papacy - during the co-existence of the two world systems - John Paul II emphasised the criticism against the social practice of socialist/communist countries since it totally contradicted the economic message of the Church. *Centesimus Annus* which may be regarded the most significant further development of this message, directed attention to the liberal capitalist tendencies after the change of regime, especially to those which threatened the socialist countries trying to return to the market economy. In this Encyclical, the Church formulated a definite position: there are not only two alternatives, namely, socialism and capitalism. There is a system which is called the 'social market economy', even if the Encyclical does not use this expression. In recent statements, the problems of global debt and the *responsibility for the environment*, that is of extraordinary importance in our times, have also been stressed.

However, several solutions which have been worked out on the principles of economic ethics of the Christian message and seemed to be applicable to the ethical questions raised, have been increasingly questioned by globalization. The cause of this is that *state sovereignty*, which was able to keep private greed within ethically acceptable boundaries (through the regulation of competitiveness, antitrust laws, wage regulations, minimum wages, social security contributions, social benefits) was, *by the turn of the century, considerably weakened due to economic reasons. Under the conditions of globalization* several institutions of the modern market economy are unable to operate according to the way accepted by the message of Catholic economic ethics. A new situation has emerged in which adequate answers to the issues of economic ethics must be found.

Let us study the truth of this statement in detail. Without a demand on completeness, we must investigate the applicability of some theses of economic ethics of the Catholic social message today.

### **On private property**

There were quite a number of debates over the question whether it was justified to incorporate private property into a social message on the basis of natural law. Is it not common property that is closer to the essence of Catholic message? Does the recognition of private property justified on the basis of natural law not mean the legitimization of *all kinds* of property acquisition and *the existing relations of property distribution*? Does this strong confirmation of private property (based on natural law) not show favour, merely, to the liberalism of modern times?

It is a fact that neo-liberal notions are indeed not very far from the message of the Church. However, the concept of the word 'neo-liberal' should be clarified because this is used by economists, too, who are the followers of 'paleo-liberalism' as Cardinal Höffner puts it. The essence of liberalism is that *the state should provide economy with a constitution* in order that its probable intervention should conform to the market. But the message of the Church does not accept that the supra-empiric regularities of the economy are paramount. Also, it is out of the question that a given property distribution can or should be regarded as final. On the contrary, an ownership structure much more deconcentrated than the present one is highly desirable.

The necessity of private property is derived not from the ideas of the liberal thinkers of the Enlightenment by means of the Catholic message. In fact the authority cited is St Thomas Aquinas according to whom possession is *a law of Paradise* but after the Fall it is a *necessary obligation* at the same time, since

in the absence of this the fallible human being would lose a significant part of his stimulating and motivating forces and, finally, he would work neither for his good nor for that of the country - at least, not that much which could be done. The pros and cons of private property were expounded by Leo XIII, Pius XI and Pius XII in detail. Cardinal Höffner enumerates the arguments as follows: Property is a condition of human rights, the determinant of competency, an instrument for the maintenance of a family, a chain between people through trade and the source of charity. Without it the individual would not be stimulated to be active; the disorders of the scope of activity caused by the absence of private property - i.e. by common property - 'would be solved' by an expensive and despotic bureaucracy through pushing people into slavery – the prophetic St Thomas Aquinas! - 'everything common' would become the source of turbulence and managers would enjoy unpredictable power concentration. If the state is the only employer, a new serfdom may emerge. (We have experienced it, indeed. It is not accidental that the slogan of the winning party which changed the regime in 1990 was: 'Liberty and property...') Undoubtedly, *Rerum Novarum* states that possession as one's own is a man's innate right'. (RNS). But *Quadragesimo Anno* claims that 'similarly to other factors of social life the form of property is not permanent either.' (QA 49). And *Populorum Progressio* states that 'one must not use property to the detriment of the common good.' If necessary, 'it is the *task of the state administration* to find a solution of the problem, together with the active co-operation of individuals and social groups' (PP23) (Cited by the author), i.e. the regulation of the use of property is unambiguously assigned to the state by the Catholic economic message. The question is that nowadays when there are international agreements on the free flow of production factors, which guarantee, primarily, the free flow of capital, how

can the state intervene if it sees that owners of capital, who neglect the interests of the citizens of a given state, only follow their own profit-seeking. Practically, in no way, primarily, due to the fact that several emerging, developing and indebted countries are in need of the inflow of capital to an extent that without it they would be unable to function. They are forced to accept the dictates of capital without any defence.

Indeed, what kind of property do we speak about? Property has several forms. The majority of modern societies in developed countries consist of those earning wages or salaries. The latter spend a great part of their income on their subsistence but also acquire some wealth through the purchase of consumer durables. They keep their savings - because they already have such - in deposits or securities. The right to social welfare may also be regarded as wealth to some extent since it is the result of a special pre-saving and, an apartment is also a property element of great importance for a family. Only after having taken all this into consideration, are we able to think of the employees' participation in the means of production; they may have securities which embody proprietary rights.

The wage-earner citizens in modern societies are no more the workers of the Age of *Rerum Novarum* about whom the poet said in a touching way in his poem 'Misery is dreaming': He is dreaming about a clean bed and a pure woman; he is dreaming of a slightly higher wage, a dish of good food, clean clothes, more respect and some humane words; less blood when coughing and more strength to work, hoping he need not appear in front of the Lord for another ten or twenty years... (Ady)

Incidentally, for people the right to respect and humane words is as important as their well-being. This is supported by another poet's words. (See the poem 'Mama' by Attila József: She wore a clean apron in her dream and the postman greeted her sometimes...)

It is not accidental that one of the keywords of the Catholic message is human dignity. The fact is that in developed countries a strong middle class, whose layers of wage earners possess several different forms of properties, has emerged does not annul the theses which had been previously formulated by the Church. Even nowadays, there are millions of defenceless people with starvation wages who have a hand-to-mouth existence. It is impossible to generalize about the whole world since it would be ridiculous to warn starving Africans against over-consumption.

However, in the developed world, the abovementioned forms of property are made widely accessible by the evolution and application of the principles of social market economy. Wage-earner citizens of modern times possess many things. Can it be said that, at least, for them the problem of property and freedom have been solved once for all? Not to mention the situation of the one-time socialist countries which have returned to the market economy! This is even a more complicated issue. Many of them are the members of the club of advanced countries (i.e. those in the OECD) but their societies keep still carry the signs of the half-a-century or more experiment of the socialist system, and their social structures after the change of regime and the transition resemble that of the developing countries rather than that of their fellow club members. Can it be said that the privatization of the formerly nationalized property has resulted in an approvable property structure?

Let us focus on the issues of the proprietary rights of the means of production, partly, because the past one-and-a-half centuries has not been able to get rid of the ghost, i.e. the ghost of communism walking about among us. Various liberal or Christian ideologies often seem to answer the questions of Marxist social analysis. Vulgar materialism penetrating Marxism - 'raving' materialism as Péter Veress puts it - explains

social progress by the interaction between the economic basis and the superstructure, the development of *the ownership of the means of production*. Experts in economic ethics have been permanently concerned with the question of the socialization of the means of production. Is it just that the worker whose work is also a basic source of value-making according to the Christian message and *that which has a priority to capital* according to the Church (LE 51), will not have a share in the property which is the result of his work?

Is it rightful that the worker like a 'talking tool' is to be the executor of the orders of the owner and his deputy through the implementation of working processes?

The documents of Vatican II clearly state that modern production is also a joint venture, so it is justified for the workers to participate in company management. It was widely-debated that participation should mean a share in ownership or only its profits.

Here it is interesting to refer to a fact of economic history: in Hungary, where socialism had practically ended the private ownership of the means of production, the endeavours of economic reform in the 1960s concentrated on developing the sense of ownership in employees by the introduction of a share in profits, i.e. a 'quasi-dividend' from the profits was paid to the workers. And in the Yugoslav socialist experiment, the employees' quasi-ownership ties to the company were one of the essential elements in the 1960s. The drawbacks of this have come out clearly after the change of regime since no workers' collective could be expected to enforce the steps of rationalization which were directed against them. Thus, the model acted as the brakes on the transition to a market economy. In Western world, too, it became widespread to let the employees acquire shares in companies although in this way, primarily, the interests of managers attempted to come close to

those of the owners. However, there were serious theoretical arguments against the solution that only those who brought about profits for the company should be entitled to proprietary rights. After the post-war boom companies earned high profits mostly due to prices paid by consumers and tax allowances - states Höffner -, thus, if you like it, others, too, would have been entitled to acquire ownership. [4]

The concentration of property which could be realized with respect to the already-existing stock of wealth through privatization appeared in a most noticeable manner both in the Western practice of the 1990s and in the transition of the one-time socialist countries. In the latter, this was due to the fact that everything was owned by the state, so market operation was almost out of the question. In developed countries, too, the redistribution not of private properties but of considerable common ones was on the agenda. In those instances, it was not distribution but rather purchases in cash which occurred. The cause of this was that besides the narrow means of the budget, financing and development became an ever more acute problem. Among the various privatization techniques of the socialist countries there was purchase in cash but also privatization by voucher which actually distributed national wealth according to the rights of citizens and, having changed its owners several times - that time at its real exchange value - it became concentrated in the hands of its final owner. Eventually, partial proprietary rights of the means of production and ventures mean more than an investment alternative only for those who, through the acquisition of an influential participation, can have a say in company management.

This must be faced in the economy of developed countries. Large-scale private savings play an increasingly greater role in corporate financing either as credits extended through banks or in the form of securities embodying proprietary rights in capital

markets. This could be regarded as the realization of a deconcentrated ownership structure that is considered to correspond better to justice than to the concentrated ownership structures expressed by the Catholic social message. But the character of joint venture of a modern company is weakening. The shares/bonds representing proprietary rights are only instruments of financing and, practically, smallholders are unable to interfere in company affairs.

Moreover, here we have come to the most critical point of ownership from the aspect of economic ethics. Paying into investment and pension funds becomes an increasingly frequent form of savings. Even in the 1980s Cardinal Höffner saw clearly that institutional investors would become decisive in our age [5]. He also saw that the unscrupulous use of the funds - brought together in this way to serve individual interests - might occur if management were morally inadequate. However, it was shown only in the 1990s what huge investment funds were able to do in the global capital markets that had in the meantime been losing their ties. The fact that with modern technology the funds handled by employees and dealers interested in profitable management, were able to transfer immense amounts of money from one part of the world to another in minutes made it possible to ruin booming businesses as well as to shake the financial balance of national economies. But effects more indirect than this may also appear. Let us say, an employee of a company saves money, makes payments in a private pension fund which puts the fund's monies in the papers of the ventures which are concerned with innovative techniques in emerging markets. The financial facilities provided will lead to the development of the venture and strong exports offensive and, let us say, it is just our man's company that is coming close to bankruptcy because of the fierce international competition. The company's responses to this situation are rationalization and

maximum economy. Our man is fired. Instead of securing his future, even his present has become uncertain. The example which I have depicted is an extreme one but realistic. It is hard to arrive at the conclusion with the frequently cited economic rule that competition is like this... *There is no international regulation which provides a fair solution to the problem.* Economists who are for order suggest that the state should give 'an economic constitution' to the business sector. This suggestion - otherwise close to the Catholic economic message - is useless *if it is not imposed on all economies.*

### **On labour**

The Catholic social message treats work as joining God's creative activity. In all documents, the Church speaks up for human dignity, proper working conditions and fair wages. Setting wages has to be done in compliance with the common good. Wage demands which cannot be borne by an entrepreneur are considered unlawful. (QA 72). However, in the case of minimum wages, the Catholic economic message states that companies owe something to workers who they have to thank for their profits and this should somehow be recognized. (MM 75). Thus granting some part of the proprietary income or a share in ownership may be considered - see the previous section of this paper. As far as the 'still bearable' wage burden for the entrepreneur is concerned, it may not be interpreted by *individual companies* since it would mean restricting the impact of the selection of competition. The right to wage fights of trade unions that is recognized by the Catholic social message, too, may be regarded as antisocial and outworn by Cardinal Höffner if there is proper law and order in a society since the 'aspect of the most successful serving of the common good' includes both a proper level of employment and the stability of the value of money. This is jeopardized by wage fights which resort to

desperate means. It is true that the individual employee's perseverance to enforce his interests well in a contract is much weaker than desired but the growing intensity of strike movements is dangerous and may be concomitant with socially harmful consequences. In Hungary, it can be seen clearly that strikes which are mostly in the civil service affect the relationship between the citizens and the state and the general justice of distribution rather than that between the capitalist employer and the employees. Moreover, we may claim that in this sector the powerful means available to workers, *the strike*, is going to be ineffective. Consequently, in Hungary strikes are rare in the private sector which can be explained by *the relations established by globalization*. Nowadays, in the countries of the world economy where development may be attributed to the inflow of foreign capital significantly, there are not many strikes because capital will flee from the territory in question.

While Höffner emphasizes that there is no need to throw in such a 'weapon' when there is a proper economic constitution available [6], we may state that under the present conditions in Hungary *recourse to this means may be desired but there is no possibility to do so*.

Namely, the indebted developing and emerging countries have no other choice because of the growing internationalization of the economic system and the freedom of capital flow. They are badly in need of direct capital imports since they cannot indefinitely substitute their shortage of capital through taking out loans. They are forced to stimulate capital inflow which - so to say - does not generate indebtedness. This may not be 'threatened' by strikes... and this is understood not only by governments but by the people who are employed. As a matter of fact, in multinationals organizations safeguarding workers' interests are often absent.

The employee of modern times finds himself working under defenceless circumstances. Again, I cite Höffner who pointed out: the employee may not enter into a contract with the employer freely in a sense because several laws influence the probable content of it [7]. But this, too, is circumvented by modern globalization. The phenomenon of contractual employment, where the employee steps out of the regulated circle of labour codes and laws, is increasing. He works in the world of ventures where the content of contracts is less - or not at all - restricted by state regulations. Here, too, free competition prevails, moreover, in an ever broader geographical circle. Cheap workers from India perform labour of great value to American companies - the distance is not an obstacle. In Hungarian practice, too, so-called 'forced' ventures are spreading, partly for the above-mentioned reasons and, partly, due to the fact that a significant part of the population have chosen this method of self-employment because of the shortage of jobs. Here, too, the aim is to avoid the payment of public burdens since in this way it is easier to find a job. Evidently, besides the high Hungarian public burdens both the employer and the employee are interested in this - at least, in the short run. It seems to me, there are too many who share Keynes' notion: in the long run, we are all dead...

As far as the amount of wage is concerned, from the beginning the message of the Church emphasizes that it should be enough to support the worker and his family at a level which is compatible with human dignity. This approach assumed the existence of families with children, what is more, families with several children. The proportion of childless couples and single households is increasing although this phenomenon may not be regarded desirable at all. Taking all this into consideration, the aforementioned requirement could not actually be met only by giving a wage proportionate to performance but it seems to be

unreal to expect an employer to pay more to families with several children. This task becomes increasingly that of the state's social policy. And, in the one-time socialist countries, women's involvement in work had been a conscious objective of economic policy for decades. Here, to live on one salary in a family was, practically, impossible. We can agree with the statement that the foundation of the society is the family and its strengthening is a public interest. In spite of this, we can experience that employees with many children - especially women - do not find jobs so easily. The disinclination in employing persons with more children ought to be compensated through granting allowances to entrepreneurs, be it a reduction of the degree of social security contributions paid by the entrepreneur or other financial means in the Budget. The aim should be *the restoration of the equality of chances* but the solution should rely on the market to decide who is best suited and for what. Besides this, of course, the support of large families is necessary by other means as well - especially if they cover the costs of the education of their children.

Further, the issue of the wage is interrelated to the topic of *social security*. The costs of live labour for an entrepreneur are the wage plus public burdens and it should be seen that the burdens of social welfare are not the same in all countries. Again, we have arrived at the topic which presents itself at a degree blown up by globalization: free-moving capital seeks to find an environment where wages are not too high, there are no strong trade unions and *the public burdens on wages are low*. Not only the countries where the population is ageing will lag behind in competition - there it certainly occurs -, but those, too, that want to provide higher services for old people or health care at a higher level through social security.

Where, owing to the change of age structure, payments of contributions lessen, compared to the number of those provided

for or there is a demand on extra services, burdens of contributions ought to be increased. However, this would mean *a disadvantage in competition* in the world market. Therefore, although we agree with the notion that social security systems cannot be regarded as some paternal degeneration [8], the possibilities of the reform of the systems should be studied both from the aspect of financing and that of economic ethics as well. To this attention was directed even in the 1980s, namely, 'large groups of the masses conspicuously sought to have access to state provision...'; the large process of redistribution lent, increasingly, some economic character to the state what would nearly hurt the state interest' [9]. A difficult and uncongenial task falls on politicians who rarely have a long-term view to enforcing unpopular restrictions in regulation. In this issue an all-society consensus ought to be found but, generally, the topic is of some service for a political party to push another aside, using the social unrest of the masses. In a liberal democracy, where people can protest against restrictions dictated by economic rationality with strikes and movements of civil disobedience, politics is in a difficult situation. Undoubtedly, politicians should be honest. People should be told, whatever political party be in power, that the supervision of a too generous system may not be avoided... With this statement we would agree with Keynes' opinion on civil servants, i.e. they are governed not by their own interests but *by the public weal*. And although this would be highly desirable, today's society will not fall on such ethical values but believe those who promise more [10]. In Hungarian relations, the question is more problematic. The image of Hungarian society approaches to that of West European countries, only that its standard of living lags behind. Thus, what is theoretically feasible in the Western world, in spite of strong social resistance, in Hungary it may be concomitant with further serious reductions in the living

standard. This is why they tried to reform the pension system by strengthening the element of insurance in it but deficiencies in the basic system of solidarity caused by the savings transferred to private pension funds has been made *the problem of the future*. That is, deficiencies are covered by the Budget which, obviously, increases state indebtedness. The so-called compulsory private pension funds invest their clients' money in safe state bonds, i.e. they finance the *deficiencies* caused by the reform. By the way, this solution puts the burden back onto the shoulders of the employees, those of the taxpayers since it is they and not the companies that pay the bulk of the tax burdens. Thus, the Hungarian 'solution' can be regarded rather as an effort to meet the challenges of the competitiveness of globalization which alleviate the *burden of employers* to some extent because it was concomitant with the reduction of contributions paid by the latter. Here the ethical problem is that the abovementioned impacts of changes are entirely unknown in society.

### **Financial system and sustainable development**

Sustainable development has several interpretations. In the Hungarian economy, sustainability means *external financeability* in some sense [11]. It is true because for long there has been no equilibrium between the import-intensiveness and export-abilities of the Hungarian economy and that can be guaranteed only by permanent capital imports. Our possibilities for growth have to be adjusted to this factor on an *ad hoc* basis and a reverse situation is only limited.

However, generally, sustainable development is interpreted as one determined by environmental possibilities. It is well known that development has accelerated since the Industrial Revolution. This was assisted by the exploitation of fossil energy and, later, the application of nuclear energy. But the raw materials and energy sources of nature seem to be inexhaustible

only in the short run. Actually, they are exhaustible which is well demonstrated by the fact of how quickly the great expansion of the aluminium industry in Hungary exploited our bauxite sites and several formerly functioning oil wells of ours have now been exhausted. Scientists, amongst them the Club of Rome, have directed the world's attention to this problem for more than 30 years. The capitalist and socialist economists were at one on this topic: they simply threw away the message of the study 'Limits to Growth'. Energy sources have not shrunk as rapidly as it was projected by the Club of Rome, although it became increasingly evident that our resources, which are diminishing through utilization, are not infinite. However, an even greater danger appeared and that is the catastrophe of environmental pollution. The experts of the Club of Rome give us no more than 50 years to solve the problem of environmental pollution which is growing ever more tragic [12].

The Catholic economic message is concerned with the man/nature relationship. As early as the formulation of *Octogesima Advensis*, Pope Paul VI referred to the issues of environmental pollution, and in the messages of John Paul II the need to respect the cosmos and the limited nature of natural resources are mentioned in several places (SRS 34). In his message sent to the Day of World Peace on 1st January 1990, his wording went like this: The ecological crisis is our common responsibility... the man with free will has serious responsibility for the protection of the order in the interest of future generations... *Ecology is a moral question. (Békesség a teremtővel, békesség a teremtett világgal V/15-16)*. He expounds it clearly that human greed and irresponsibility induce such economic processes which neglect the rightful demands of future generations (CA 34). Man may not dispose of the Earth arbitrarily. He may not take the place of God. (CA 37). Extraordinary natural phenomena of our age - the greenhouse

effect and the fighting going on, practically, with all means for the control over oil resources - give actuality to the message of economic ethics of the Church. Eventually, the statement of the experts of the Club of Rome saying that *the advanced Western world is overpopulated* ecologically is rather shocking. If the problem of the reduction of the population is raised in Hungary, all people of goodwill began to think of how the inclination to deliver and bring up children could be stimulated. However, it is apparent that per capita consumption and the concomitant waste production will choke our economy, too, although Hungary is still below the consumption level of Europe's 'happier' part, and more particularly that of the USA. On the other hand, it should be recognized that the other parts of the world struggling with real overpopulation try 'to take the European fortress', with repeated waves of migration. Consequently, environmental pollution and the inequality of the geographical distribution of natural resources and the foreseeable worldwide migration urge us to global solutions. The Catholic Church has taken a stand for this thought but today's political reality demonstrates the contrary, i.e. the decay of international institutions. It is only to be hoped that it will not need another world cataclysm to force mankind to co-operate again.

There is a very widely-known and misunderstood thesis of the economic message of the Church which is related to *interest*. Here, this would be treated, primarily, from the aspect of sustainable development, although some words should be devoted to the general content of the message.

In public opinion the notion that the Catholic message refuses interest payment/collection has become widely known. However, this notion has to be clarified to some extent since, undoubtedly, the prohibition of usurious rate of interest referred to the situation when the debtor in financial difficulties basically took out a loan to cover consumption. If consumption is in

question, there are no sources of the interest and it may lead to the ruination of the debtors. Loan raising of the Middle Ages was of a social security type [13]. But it was taught by St. Anthony of Florence (c. 1450) that money has the nature of capital, therefore the prices paid in cash are lower than the purchase of goods on credit. In these cases theologians recognized the rightfulness of the rate of interest. In his main work Keynes himself recognized that the interest regulation of scholastics was rational. According to Schumpeter, it was based on a sounder basis than some later works, moreover, on this basis economics could have developed more rapidly and with less effort in the nineteenth century [14].

Modern money which is produced by credits and flexibly accommodates to the dynamic growth of production, is charged with a rate of interest, at least, with a nominal one, inevitably since in the absence of this, inflation would devalue savings which constitute the source of the bulk of credits. It is quite another question how high margins are allowed to be realized by risk surcharges, the costly operating systems and the striving after profits. Although it is true that a bank as a group of undertakings is not completely closed since there is a possibility to establish a bank but, in practice, the market seems to be very divided. Financial mediation and, within this, the activities of financial institutions are, no doubt, a monopoly to some extent which appear in an oligopolistic institutional structure. The debtor (i.e. the loan-taker) feels only his defencelessness as the risk is his because banks try to minimize theirs by asking for securities, claiming that they risk other people's money which is a justifiable reason. However, it is debatable, indeed, that the security asked for is needed only for the aforementioned reason or it is for guaranteeing the bank's profits at any price. And in this case monopolistic effects unambiguously prevail.

The economy of our age is based increasingly on credit. Not only to production and investments but also to consumption, credits are extended. It is enough to refer only to the huge amount of state debts in which the world's leading economic power - that is the USA - is at the forefront. For it the problem is not insoluble, because its own currency is a global one that ensures significant financeability. But after all, it is difficult to step out of the vicious circle because, esp. with consumer credits, sources of interest are hardly created. This is the situation with the foreign loans which have been taken up in convertible currency by developing countries. For the debt service, claims in foreign exchange would be needed and, to them markets and competitive products would be wanted. In most cases, this occurs only in a very restricted way. For these countries the image of an endless debt slavery appears. Hungary, too, was able to reduce its debts only through selling its national wealth mostly to foreign owners. In the social Encyclical *Sollicitudo Rei*, the Pope refers to this problem in connection with the hopeless indebtedness of developing countries (SRS 43). He urged debt release in his letter written for the millennium, too, referring to the expectations towards jubilee years in the Old Testament. But the situation is that casual results do not solve the problems globally. The problem is not in the system, the problem is the system itself... The problem is more general. The mechanism pools the income to the mediator layer to an ever greater extent and this leads to the increasing separation of the real economy from the financial sector. This is going to crash with the interests of the economic players of the developed world as well. The modern economy based on compound interest is bound to grow which is not so promising from the aspect of saving resources. *Discounting mathematics is not in favour of the long-term economic*

*approach*. [15]. Who plants a slow-growing oak if it is ready to be cut down only in 50 years' time?

Now we have arrived at *the boundaries of the economy*.

Although the Catholic social message has always recognized the important role of the economy in effectively creating the conditions of a more humane existence, it has always expounded that not everything can be put on the market. Several human needs cannot be met from the market, and *natural values may not be managed properly only from a market approach*. *Centesimus Annus* finds the solution in the state's role-taking (CA 40), however, it urges socio-economic reforms for the solution of global problems in general. It claims that this message should inspire reforms before it is too late (*Libertatis conscientia* 88).

The experts of the Club of Rome drew similar conclusions: markets make us celebrate all the seven deadly sins, except for laziness, because that reduces turnover... Markets should not be used for what they are not able [16]. Weizsaecker and his co-authors are for solutions through negotiations which is proposed by *Coase* because in this way, too much role-taking by the state, which projects the threatening image of totalitarianism, may be avoided. Indeed, we may agree with this statement but it should be added that the positions of negotiation of the partners are not equal and what is still more worrying is that the interests of future generations have no representatives. If anywhere, an active and conscious role-taking of the members of the Catholic Church is highly important in the field of the social implementation of the proposals which are professionally well elaborated and based on the guidelines of the Church.

## REFERENCES

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