

November 14, 2012.

7. "A Big Heart Open to God"

8. Pope Benedict XVI, General Audience, November 14, 2012.

9. "A Big Heart Open to God"

10. http://www.vatican.va/holy_father/francesco/speech-

[es/2013/september/documents/papa-francesco_20130920_associazioni-medici-cattolici_en.html](http://www.vatican.va/holy_father/francesco/speech-)

11. "A Big Heart Open to God"

12. Ibid.

13. Ibid.

POPE FRANCIS AND THE VALUE OF MONEY

By JAMES R. LOTHIAN

IN THE LAST FEW YEARS we have heard a lot about capitalism, a lot of it negative. Much of the impetus for the discussion has been the financial crisis and—paradoxically, given its governmental roots—the European sovereign debt crisis that followed.

Pope Francis has recently weighed in on the subject too. Deviating from his prepared text in an address delivered in Cagliari on the Island of Sardinia, he stated:

Where there is no work there is no dignity! And this is not only a problem in Sardinia—but it is serious here — it is not only a problem in Italy or in certain European countries, it is the result of a global decision, of an economic system which leads to this tragedy; an economic system centred on an idol called "money."

He went on to say:

Yet now, in this system devoid of ethics, at the centre there is an idol and the world has become an idolater of this "god-money." Money is in command! Money lays down the law! It orders all these things that are useful to it, this idol.

Pope Francis then added:

We must say "we want a just system! A system that enables everyone to get on". We must say: "we don't want this globalised economic system which does us so much harm!" Men and women must be at the centre as God desires, and not money!

No man can serve two masters

On one level what Pope Francis has said is all well and good. Most of us are acquainted with Christ's words in Matthew 6:24 that "No man can serve two masters. For either he will hate the one, and love the other: or he will sustain the one, and despise the other. You cannot serve God and mammon."

Making the accumulation of wealth one's sole goal not only violates the first commandment, leaves no room for charitable behaviour or indeed for anything other than material goods. No argument there.

But Pope Francis seems to be going quite a bit

beyond that admonition and therein lie several problems. We use money because doing so is efficient—it is less costly than barter, it allows us to store the fruits of our labours and defer purchases and it provides us with a measuring stick to judge alternative values. The fact that all but the most primitive societies use money is strong evidence that doing so is beneficial. Pope Francis seems to be saying that a system in which money is used to express values is wrong. If there is a moral issue here, however, it is that imposing another system—barter, say—on a society would entail substantial costs and thus harm the individuals in that society.

The underlying question is what economic system works best in the world that actually exists. What system allows us human beings, who suffer from both imperfect knowledge and concupiscence, to get the most out of the scarce resources that are available to us at any point in time and that best allows us to increase those resources over time via our investments of time and money? The question is not what system can we conjure up that would work best in a world of our own imaginings.

Market economies beat alternatives

Viewed from this perspective, market-oriented economies clearly beat the alternatives. Resources are used more efficiently, peoples' incomes are higher and grow more rapidly and human freedom is better preserved than in command economies. All of that goes hand in glove with things like lower infant mortality, longer life spans and reduced poverty. A market economy in that sense is, in fact, the "system in which men and women are at the centre." The evidence on that score is, I believe, overwhelming.

Consider the history of the last century and compare the market-oriented economies of the advanced countries with those of the old Soviet bloc. Where was societal welfare higher and individual freedom better upheld? Or consider countries like China and India that began to liberalise their economies in the latter decades of the twenti-

eth century. The economic growth that followed lifted millions of the poorest of the poor from the brink of starvation.

Or consider the Pope's own country Argentina, and compare it with a country like Canada. At the start of the last century both countries had comparable levels of economic development. In 1900 per capita income in Canada was \$2,911 when expressed in 1990 US dollars, and in Argentina it was \$2,756. Over a century later in 2008, per capita income in Canada had risen over eight fold to \$31,178, but in Argentina it had risen at less than half that pace to \$10,995.

Capitalism not perfect, but...

What was the difference between the two countries? It was not in their natural-resource base or their populations. Both were and are rich in natural resources. Both are largely populated by European immigrants and their descendants. The big difference has had to do with political and economic institutions. Argentina has had one *dirigiste* regime after another in charge. Canada, in contrast, has had democratic government constrained by the rule of law and a market-based economy. Interestingly, the Peronist party that has been in and out of power in one incarnation or another in Argentina since the end of World War II has as one of its three ideals social justice.

The point is not that a market economy has no

warts, that it enables people to always make the correct economic judgments about relative values of goods and services. We know that is not so. The recent financial crisis in which bankers and builders got much wrong is an example. But even there the larger part of the problem were the actions taken by governments both before and after the event—the U.S. government's strong arming of bankers to make risky subprime mortgages and the Irish government's irresponsible guarantees to holders of bonds issued by Irish banks.

The point is rather that a market economy beats what is in second place and does so hands down. The price system does a much better job of imparting information about relative values than its principal competitor, the government bureaucracy, is capable of doing. It also does a much better job of harnessing the actions of fallen human beings along socially beneficial lines than its principal competitor in that realm, the political system with its tendencies to cronyism and power grabbing, is capable of doing.

As Nobelist economist Gary Becker recently put it, "capitalism is the only system yet devised that brings hope of lifting the masses out of poverty and creating a robust middle class." To use Pope Francis' terminology it is "a system that enables everyone to get on." It would be better if this were more widely realised.