Crossroads Cultural Center

in collaboration with **the Christian Business Fellowship** at Columbia University

Human Capital in Pope Benedict XVI's Latest Encyclical *Caritas in Veritate*

Monday, November 16, 2009, 7:00 pm at Columbia University
with Dr. Kimberly SHANKMAN, Dean of Benedictine College

Crossroads: Good evening, and welcome to all on behalf of Crossroads Cultural Center, and a warm thank you to our co-sponsor, the Christian Business Fellowship at Columbia University. Let me introduce Dr. Marco Aiolfi, who, as at the two other previous lectures, will introduce the theme and the speaker, as well as moderate the discussion.

I remind you that Dr. Aiolfi is a Principal of Platinum Grove Asset Management, with research and trading responsibilities for currencies strategies. Before this, he was a Research Scholar at the University of California, San Diego, specializing in macro asset pricing and econometrics, and in 2005 he was a Visiting Scholar for the Research Department at the International Monetary Fund. Dr Aiolfi has contributed articles to several academic journals including *The Journal of Econometrics*, *The Journal of Forecasting*, and *The Journal of Financial Econometrics*. He received his Ph.D. in Economics from Bocconi University in 2006.

Aiolfi: As the title suggests, the aim of this series is to look at the many ways in which the human factor affects the economic sphere. To some extent, there is a tendency in our culture to think of the economy as a fairly impersonal process that can be understood in "scientific" terms. Accordingly, public policy often faces economic questions like engineering problems, to be solved using appropriate fiscal, monetary or regulatory instruments. Similarly, economic debate in academia and in the media focuses on topics such as the role of the market, or mathematical modeling, or even the need for ethical guidelines, but mostly in a manner that is fairly abstract and removed from concrete human experience.

In the first lecture titled "Work and the Person: Toward a New Education," Mr. Bernard Scholz introduced the concept of human capital defined as the set of skills, knowledge and abilities acquired and those still incompletely expressed or even those that have not been discovered yet, during the life of an individual who seeks to achieve social and economic growth. We have been reminded that the protagonist of every economic initiative is a human being who lives work as an expression of his or her own desire to transform reality and make it more suited to the ultimate demands inscribed in our nature. The content of the first lecture is well summarized by what Mr Scholz said at the end of his talk: "What is good for a person it is also good for the economy."

In the second lecture, Professor Seth Freeman started his talk asking the question, "Where does prosperity come from?" Even though modern economics claims to know the answer to this question, there are profound problems with it. Trust is an example of one of the essential factors for the correct functioning of an economy whose existence cannot be explained by economic theory. No advanced economy could operate without a complex network of human relationships based on trust and shared values. Ultimately, contrary to economic theory, the source of prosperity is a mystery, but we do have clues that it depends on things like human capital and trust. Trust cannot be built inside the economic system but the right mix of soft and firm sources of trust is at the origin of economic prosperity.

It is interesting how this reality has come up both in the work of this year's winners of the Nobel Prize in Economics and also in the Pope Benedict XVI's recent encyclical.

Our third lecture is titled "Human Capital in *Caritas and Veritate*" and our speaker tonight is Dr. Kim Shankman. Dr. Shankman has been the Dean of the Benedictine College, in Atchison Kansas since 2002. Before that position, from 1996 to 2001, she was Chair of the Department of Politics and Government, and Director of the Law and Society Program at Ripon College, where, since 1985, she taught various courses in American Political Thought. In 1990, Dr. Shankman obtained her Ph.D. from Northern Illinois University in Constitutional Law and American Government.

A frequent lecturer, Dr. Shankman has published extensively in the area of political philosophy. Since 2008, she has been a member of the Kansas State Advisory Committee to the United States Commission on Civil Rights.

She is married and lives in Atchison, Kansas. So tonight we are pleased to welcome Dr. Kimberly Shankman.

Shankman: I'd like to begin by saying how deeply honored I am to be addressing you tonight. Just to reflect on the roster of your illustrious alumni at Columbia University is profoundly humbling. To be included among the roster of distinguished speakers sponsored by the Crossroads Cultural Center is equally overwhelming. Despite the awe-inspiring precursors who have addressed audiences in this venue and under these auspices, I am quite confident that if I accomplish nothing else tonight, I will convince you that I am extraordinarily qualified to deliver this lecture. You see, the organizers of this series, when they contacted me, told me that they were looking for someone who was not an economist to provide a reaction to the Pope's encyclical. I am firmly convinced that if you leave tonight with nothing else, you will be completely certain that you have heard from someone who is absolutely and unmistakably not an economist.

That being said, I hope I have something to offer in terms of an interpretation of the Pope's encyclical, and its relation to the idea of human capital, that you may find useful, and I hope thought-provoking. I intend to address three themes in the course of this evening: first, the Pope's conception of human reason and why that conception is of fundamental importance to understanding his teaching in *Caritas in Veritate*; second, how the Pope's conception of human capital differs from, and provides an alternative to, the conception drawn from modern economic thought; and finally, how this alternative, illuminated by the light of reason, can provide a basis for understanding and responding to our current economic conditions.

To begin, I'd like to spend a few minutes exploring Pope Benedict's understanding of reason. I believe that he signaled the importance of this topic by the very title he gave to the encyclical. As most of you know, a papal encyclical is a document addressed to the bishops of the world. Often others are specifically included; major encyclicals are generally addressed not only to the bishops, priests, religious, and the lay faithful, but also to "all people of goodwill." The purpose of an encyclical is to express the Pope's teaching on a significant contemporary issue. In this case, the subject matter of the encyclical is economic development. However, the encyclical we are considering is not called "integral human development" (although that phrase is part of the elaborated title of the encyclical). Its title does not refer to the economy, to development, or to policy at all. It is called "charity in truth." The question that then presents itself is why? Why was this title chosen for the encyclical?

Papal encyclicals do not get named by accident. It is a tradition of long standing that encyclicals are named by their opening words, and so a great deal of thought goes in to what those opening words will be. This leads to some oddly constructed sentences (at least in the English translations); but that's to be expected. It would get rather confusing to have a whole string of encyclicals called "I am writing this letter to explain. . . " Even so, it's reasonable to ask ourselves, why did the pope choose to spend the opening of this encyclical addressing a question that appears to be only tangentially related to the focus of the bulk of the letter? In the last paragraph

of the introduction, he tells us why: "The church does not have technical solutions to offer and does not claim to interfere in any way in the politics of States. She does, however, have a mission of truth to accomplish, in every time and circumstance. . . . " [9]

I think that this is a deliberate challenge. The pope is asking us to consider two words not normally associated with economic policy. He is challenging us to examine our fundamental presuppositions—that charity is a sentimental impulse outside the sphere of economic analysis and that truth is a vestige of an outworn epistemology. Instead, he is proposing an alternative approach to understanding not only economic life, but more profoundly, the way we understand and relate to reality. It is primarily through calling the world, and particularly the faithful, to a clearer and deeper understanding of the relationship between charity and truth, and their connection to current problems of economic progress and development, that the Church can influence the world. He makes this clear in paragraph 31:

"The Church's social doctrine , . . can exercise, in this perspective, a function of extraordinary effectiveness. It allows faith, theology, metaphysics and science to come together in a collaborative effort in the service of humanity. . . . . The excessive segmentation of knowledge[80], the rejection of metaphysics by the human sciences[81], the difficulties encountered by dialogue between science and theology are damaging not only to the development of knowledge, but also to the development of peoples, because these things make it harder to see the integral good of man in its various dimensions. The "broadening [of] our concept of reason and its application"[82] is indispensable if we are to succeed in adequately weighing all the elements involved in the question of development and in the solution of socio-economic problems." [31]

The Pope is asking us to think differently about our situation; he is not proposing particular solutions to our problems. However, his challenge to our common approach to social analysis is both profound and far-reaching.

Pope Benedict may be considered the "epistemological pope". What we can know, how we can know, and the proper scope of our power of reason are all topics that he addresses over and over again, in a variety of contexts. But for him these topics are not just abstract philosophical questions. His speeches, letters, writings and addresses all bespeak an urgent project: not just to define and understand the nature of reason, but to articulate an understanding of reason that captures the connection between reason and truth, and reawakens the people of the world to the possibility of encountering the fullness of reality. Running throughout the body of his work, both before and after his elevation to the papacy, is this consistent concern to recover a broad conception of reason tied to the pursuit of truth.

Charity and truth. From the perspective of contemporary economics, the truth is irrelevant and charity is a distraction. Modern economics, like all social sciences, rests on a positivistic empiricism modeled after the natural sciences. It does not concern itself with the ends that people pursue, but only the means they use to achieve those ends. Economics, as a discipline, does not concern itself with the morality of economic activity, but with the rationality or effectiveness of that activity.

Let me briefly explain why this is and why the Pope finds it problematic. This limitation to observable phenomena can be traced back to a significant shift in worldview that took place beginning about 500 years ago. Prior to that time, since the emergence of Christendom, the dominant Western approach to understanding social structures was based on the attempt to model human society in accord with the order of the universe, understood by reflecting on God's law and the implications of human reason. (Even in the pre-Christian world, the dominant approach to understanding social life was to reflect on the meaning and order of nature) However, this proved (to put it mildly) a difficult task. Most particularly, the attempt to understand society in light of God's divine providence was a constant invitation to conflict between sacred and secular authority, as each contested for the right to provide the authoritative interpretation of God's will for political life within a

community. This invitation to conflict often enough sparked violence. After the Protestant reformation, the mixture of the sacred and secular became even more problematic, as ever more points of violent confrontation presented themselves. As rulers chose sides in the battle between the Protestant churches and the Catholic church, the citizens suffered; Protestants killed Catholics and Catholics killed Protestants, all in the name of the mercy of God; each group pausing every so often to kill Jews in the name of the love of Christ.

At the same time, however, as Europe was plunged into a fever-pitch of turmoil and conflict in the realm of religion and politics, there was a tremendous flowering of insight and innovation in mathematics and the natural sciences. The discovery of calculus unfolded new worlds of explanatory power through mathematical description; the secrets of the laws of physics were being unfolded; and the mysterious workings of the human body were slowly revealing themselves. What had unsuccessfully been sought for in the realm of politics for centuries—a clear, coherent vision of the order and structure of the universe—was instead being revealed in the realm of the natural sciences.

In this atmosphere, that philosophical era known as the Enlightenment emerged. The basic assumption of Enlightenment thought was that political turmoil could be mitigated by approaching politics scientifically—by constructing a theory of public life and obligation that was based on observation and deduction. The early Enlightenment thinkers, such as Thomas Hobbes, were explicit in arguing that the horizon of public life had to be reduced to exclude contention over the supernatural and even over the intangible aspects of natural life. In contrast to classical political philosophy, which argued that the goal of politics was the communal pursuit of the good life, Enlightenment thinkers insisted that such attempts at communal engagement were a recipe for interminable civil strife. Rather, they believed, the state should abstain from any attempt to develop or impose a common vision on society; it should devote itself to securing the maximum freedom for each citizen to pursue his or her own vision of the good.

John Locke provided perhaps the most fully developed Enlightenment account of civil society. In his thought, nature provides not a standard to aspire to, but a condition to escape. Individuals are, by nature, free, equal, and without any natural ties or obligations. However, to secure property, people are driven to form societies. Society remains stable by encouraging individuals to labor through the stimulation and unleashing of acquisitiveness. Locke asserts that the relentless pursuit of wealth and inflammation of desire is the most secure foundation for democratic or republican government. Of course, there is a corollary consequence: the state must recognize the panoply of possible desire; there is no single communal good to be striven for. Rather, the goal of politics is to secure for each individual the right to pursue his own conception of the good life. Freedom no longer consists in the ability to participate in the common discourse about the ends of society; rather it is the untrammeled ability to choose our own end, unencumbered by the consequences of the choices of others.

The political thought of the Enlightenment, then, attempted to separate politics from religion, and, to a certain extent, from traditional morality (for example, greed was redefined from a simple vice to a condition which may be a private vice, but was often, in fact, a public virtue). It was oriented toward individualism and explicitly rejected the ideal of a communal vision of the good life. Scientific reasoning was the model that these philosophers sought to emulate.

Over time, the continued advances of science have only increased the epistemic hegemony of the empiricist approach to knowledge. The social sciences have organized themselves in emulation of the natural sciences; of these, economics is clearly the most rigorously scientific. Beyond the academic realm, the influence of science as the normative mode of reasoning has spread throughout the culture. The result has been the division of the objects of thought into the realms of “fact” and “value”, with the assumption that only questions of fact are relevant subjects for public discourse. Because understanding the truth means going beyond the classification or analysis of empirically verifiable data, even the very concept of truth has become suspect. The claim that the

truth is accessible to human reason is viewed with suspicion as potentially dogmatic, judgmental, and intolerant. From a post-modern perspective truth claims are primarily tools for maintaining privilege and power Within this world-view, reason becomes almost entirely instrumental. We may develop increasingly sophisticated rational models to predict and even to influence behavior, but we do not expect this to yield any insight into the truth of a given situation. To search for truth is to pursue a ghost. Reason can analyze and describe the perceptible world, but beyond that is the entirely subjective realm of evaluation, which is completely outside the purview of reason.

This is the dominant view of reason that the Pope rejects. He rejects this not only because he believes it is wrong—in other words, he does believe that truth exists and that people can access the truth through the development and application of the power of reason—but also because he believes that it is pernicious. Losing the truth, narrowing the understanding of reason, and contracting the sphere of rational discourse all serve to make authentic human interaction increasingly difficult and ultimately impossible. As he says near the beginning of this encyclical, "Without truth, without trust and love for what is true, there is no social conscience and responsibility, and social action ends up serving private interests and the logic of power. . . . " [5]

In his address at the University of Regensburg, the Pope provided an extended reflection on the relationship between reason and truth, and that reflection sheds light on his approach in this encyclical. In that address, the Pope engages head-on with the assumption that the limitation of reason to the visible, empirical world—the elimination of consideration of the good, the true, and the beautiful as subjects of rational discourse—fosters and encourages peace and civility. Actually, he argues, the restriction of reason to the "interplay of mathematical and empirical elements" leaves men's deepest longings unaddressed. This is how he describes the "pathology" of the modern conception of reason:

"The specifically human questions about our origin and destiny, the questions raised by religion and ethics, then have no place within the purview of collective reason as defined by "science", so understood, and must thus be relegated to the realm of the subjective. The subject then decides, on the basis of his experiences, what he considers tenable in matters of religion, and the subjective "conscience" becomes the sole arbiter of what is ethical. In this way, though, ethics and religion lose their power to create a community and become a completely personal matter. This is a dangerous state of affairs for humanity, as we see from the disturbing pathologies of religion and reason which necessarily erupt when reason is so reduced that questions of religion and ethics no longer concern it." (Regensburg)

It is precisely because this reduced scope of reason leaves these deepest questions outside of the realm of rational discourse that they tend to become pathological. In the Regensburg address the Pope famously included a discussion of a dialogue between a Muslim Persian and a Christian Emperor, in which the Emperor indicated that the Islamic support for spreading the faith through violence was wrong. Benedict reflected on this as an example of the importance of linking faith and reason—because the Christian Emperor understood that God is ultimately the source and summit of rationality, he could deduce that something spreading the faith through the sword was not consistent with God's nature; whereas the Muslim interlocutor, because he believed God to be completely transcendent, inaccessible to human understanding. Thus one could make no deductions from the nature of God to the kind of conduct He would support. Lost in the criticism of the Pope's apparent disparagement of Islam was the fact that the bulk of his speech was directed toward warning Christians of the danger of "derationalizing" Christianity—that is, accepting the assumption that the nature of God (and of man's in relation to God) is inaccessible to human reason. His point was, I believe, that the impulse to faith-based violence comes not from the introduction of the concerns of faith into public discourse, but with the freeing of faith from the discipline of rational control. Thus it is not the narrow conception of reason, limited to the observable and technical, but the broader, richer conception, addressing fundamental concerns and desires, that lays the foundation for solidarity and peace.

In *Caritas and Veritate*, the pope re-emphasizes the connection between a robust conception of reason—one in which charity is seen as an appropriate subject for rational consideration and the truth is understood as embracing and founded on charity—and a healthy social discourse:

"Only in truth does charity shine forth, only in truth can charity be authentically lived. Truth is the light that gives meaning and value to charity. That light is both the light of reason and the light of faith, through which the intellect attains to the natural and supernatural truth of charity: it grasps its meaning as gift, acceptance, and communion. Without truth, charity degenerates into sentimentality. Love becomes an empty shell, to be filled in an arbitrary way. In a culture without truth, this is the fatal risk facing love. It falls prey to contingent subjective emotions and opinions, the word "love" is abused and distorted, to the point where it comes to mean the opposite." [3]

It is this more robust conception of reason that provides a basis for healthy community; as Benedict says: "because it is filled with truth, charity can be understood in the abundance of its values, it can be shared and communicated. Truth, in fact, is logos which creates dia-logos, and hence communication and communion. Truth, by enabling men and women to let go of their subjective opinions and impressions, allows them to move beyond cultural and historical limitations and to come together in the assessment of the value and substance of things." [4]

Benedict is making the case that our approach to public discourse—limiting it to the realm of empirical and factual discussion—is entirely upside down. Civic peace and solidarity does not result from the reduction of reason to the merely observable and instrumental; rather, that reduction makes it impossible for us to clearly understand the challenges we face and so to develop appropriate solutions.

In particular, the Pope has emphasized over and over again throughout his career, banning God from the public square does not enrich debate by allowing for all community members to participate regardless of their system of belief (or, of course, disbelief). Instead, he argues, this distorts and trivializes public discourse by removing the fundamental touchstone of morality from consideration of the most profound issues. In *Caritas in Veritate*, the Pope elaborates on this:

"The Christian religion and other religions can offer their contribution to development *only if God has a place in the public realm*, specifically in regard to its cultural, social, economic, and particularly its political dimensions. . . . Denying the right to profess one's religion in public and the right to bring the truths of faith to bear upon public life has negative consequences for true development. 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]

What does all this have to do with the concept of human capital? In fact, it points the way to a radical reconceptualization of it, one based on this fuller and more robust conception of reason.

The standard definition of human capital is, at the individual level "**t**he stock of knowledge and skill, embodied in an individual as a result of education, training, and experience, that makes him or her more productive" and at the social level the sum total of the skills of a given workforce. There are, of course, a number of assumptions buried in this definition, the clearest of which is that the human person is an instrumental unit in the workforce whose skills and knowledge are separable from his or her essential humanity.

We can clearly see that this conception has its basis in the Enlightenment vision of the human person: an isolated individual who essentially owns him or herself—Locke, for example, explicitly grounds the right to private property on the concept of self-ownership—and who therefore can sell parts of him or herself—knowledge and skills, or, in the more extreme cases of this logic, which we tend to remain vestigially revolted

by, his or her organs and other bodily functions. The Enlightenment vision of the human person portrays an isolated individual, alone against the world, who is motivated by a limitless, and thus ultimately unsatisfying, quest for accumulation of ever more material possessions. To effectively pursue this desire, this individual invests in his or her human capital to become a more valuable commodity on the labor market, Even Gary Becker, the Nobel-prize winning economist who has done so much to popularize and apply this concept, noted that when he first began writing he hesitated to use the term, because he realized that he would be criticized (which he was) for the instrumentalist connotations that it carried. By the 90's, he was happy to note, that criticism no longer occurred. As a society, we seem to have grown more and more comfortable with applying the Enlightenment logic of individualism and materialism.

The limitless desire for accumulation that drives the Enlightenment system has, on the one hand, significant benefits. We recognize that accumulation requires labor, and that the development of our "human capital" will help us achieve the possibility of even greater levels of accumulation. Because human labor provides surplus value to the raw materials of the earth, the more we work the more "stuff" there is available for everyone. If we pursue wealth without limit our labor will provide a surplus that will benefit all around us.

However, the system is driven by a vision of human personhood that is based on both isolated individualism and the assumption of self-ownership. Benedict directly challenges these underlying assumptions: "Sometimes modern man is wrongly convinced that he is the sole author of himself, his life, and society." He goes on to make the connection between this concept of self-ownership with materialism: "The conviction that man is self-sufficient and can successfully eliminate the evil present in history by his own action alone has led him to confuse happiness and salvation with immanent forms of material prosperity and social action." [34] This materialistic fallacy leads to the commoditization of basic human values, including education, sexuality, and even family (for example, the Pope's discussion of the need for wealthy nations to embrace openness to large families as a way to divert their economic and intellectual resources away from satisfying the selfish desires of their citizens clearly implies that the birth-rate crisis that many developed nations are currently experiencing is a result of focusing on satisfying those desires).

Furthermore, there is a dark underbelly to this Lockean cycle of labor and accumulation. Because we can accumulate more when goods are cheap, there is consequently always pressure to effectively "freeze" some part of the workforce (in America, in the 18th and early 19th centuries it was slaves; in the late 19th and early 20th it was immigrants, women and children) and prevent them from developing to their fullest potential, so that they can provide a pool of cheap labor to produce cheap goods. Today that pool of cheap labor resides primarily in the under-developed world. Technological advances have made it possible for firms to move with almost frightening mobility from one labor market to another, in search of new sources of cheap labor. Although in the developed world we comfort ourselves with the recognition that the low-paid jobs that multi-national companies provide do give people in the under-developed countries of the world access to more opportunity than they would otherwise have, Benedict insists that we can not shut our eyes to the ongoing human costs imposed by this phenomenon. In paragraph 25, for example, the Pope asks us to recognize the psychological instability (and not just the economic costs) generated by the mobility of labor, and points out that this has a negative effect not only on economic life and activity, but also on personal and family development, since it is difficult to forge what he calls "coherent life plans, including marriage" in a situation of constant uncertainty about the economic future. Much of chapter 3 of the encyclical is devoted to reminding us that the commercial logic of the market will not be sufficient to guide the process of globalization in a healthy and humane way by itself. This logic must be supplemented by a more robust view of human capital, one which is based not on the commodification of the human person, but rather on integral development and solidarity, taking into account the social, as well as the individual, aspects of human personhood.

Pope Benedict provides this strikingly different account of human capital, when he states: "it must never be forgotten that the primary capital to be safeguarded and valued is man, the human person in his or her

integrity." Thus he indicates that human capital should be understood not as specific skills or qualities, but that the true treasure is humanity itself. The person in the fullness of their integrity is the end that the economy is to serve, not the raw material to produce goods and services.

This definition is reminiscent of the story of St. Lawrence. St. Lawrence lived in the first half of the 3rd century. During the run-up to the Diocletian persecution of the church, Lawrence, who was one of the deacons of Rome, was ordered to turn over all the treasures of the church to the authorities. On the day appointed for him to do so, he brought the officials to his church, where he had gathered the poor, the sick, and the lame. Here are the real treasures of the church, he told the authorities. (They, of course, were not particularly amused, and Lawrence was taken and martyred by being roasted on a gridiron. Pope Benedict is unlikely to meet a similar fate, although he does run the risk, like St. Lawrence, of having those in authority just not get the point). Like St. Lawrence, Pope Benedict is pointing us to a more human understanding of the riches of the world.
This different understanding of human capital is based on a fundamentally different understanding of human personhood. Whereas the Enlightenment vision is driven by the concept of self-ownership, the papal vision is driven by the concept of gratuitousness—giftedness. Rather than seeing ourselves as the owners and shapers of our lives, the Pope asks us to recognize that we are all the recipients of an abundance of blessings—talents, opportunities, support—of which we are stewards.

As Americans, particularly successful Americans, we struggle with this concept. We have this Lockean ethos deeply entrenched in our national psyche, and we tend to be most comfortable thinking of our material prosperity as the legitimate reward for our hard work. The Pope is asking us to give up this comforting sense of desert.

It's a little easier for us to see the element of gratuitousness in the world of professional sports. We all know that Michael Jordan worked very hard to become the best player in NBA history. However, we all realize that everyone else in the NBA during his career also worked very hard. I'm sure Patrick Ewing worked very hard. There were probably some players who even worked harder than he did (one of the things I've learned about Michael Jordan is that he hated to run backwards, and so in practice he was often allowed to skip the running backwards drills). It didn't do any of them any good, because they just didn't have the pool of talent to work with that he did.

All of you who are students here at Columbia, I am sure that you also worked very hard throughout your life to qualify yourselves for such a tremendous opportunity; I'm also sure you are continuing to work hard while you're here to prepare yourselves for the best possible future. However, in many ways you're like Michael Jordan. As you take stock of your life I'm sure you'll recognize that you were blessed with many talents, particularly intellectual ability; you had loving, supporting families that encouraged your development; and you attended high schools that provided the curriculum and instruction that prepared you for the challenge of a top-flight university. All of those things are pure gift. Even the drive and ambition that inspired you to prepare yourself for this challenge is a gift. You are no more responsible for them than you are for the color of your hair (maybe less).

The pope is not asking the blessed of the world to wallow in a miasma of guilt; at the same time, however, he is asking those of us who enjoy the benefits of these blessings to consider the absolute and inscrutable gratuitousness of these gifts. We are not being called to reject the fruits of our labors, but to remember that perhaps those who have been less richly blessed have a claim that is more fundamental than our Enlightenment vision would allow. Perhaps in a remote village in North Korea or Pakistan or Ecuador there is a young person just as smart, just as ambitious, just as determined as the students in this room. Just as we might say, looking at the rewards our blessings have brought us here in America that from the perspective of giftedness we may not "deserve" them in a moral sense, we can also say that the young man or woman doesn't "deserve" to live without any chance to develop his or her talents; who can only look forward to a life of poverty, disease, and

possible starvation. This is not our fault; at a certain level it's not even our responsibility, but it is our concern; that young man or woman is a child of God just as we are.

I would formulate the Pope's understanding of human capital as follows: the stewardship of the gifts we have been blessed with for the benefit of all. This understanding, we can see, flows from and is based on the broad conception of reason that the encyclical's title points to. By reflecting on what it means to be human—not only our behaviors, but the source and destination of our gifts and talents—we are drawn to the conclusion that competitive individualism is an insufficient foundation for a healthy and humane economy. The truth about the human person—the fact that we are not owners of ourselves but stewards of gifts, talents, and blessings that we did not create---points inexorably to the necessity of charity as an integral component of all human relations, including economic relations. "Charity in Truth" turns out to be the right title for an economic policy encyclical after all.

I'd like to spend just a couple of minutes applying this understanding to our contemporary situation, and then I will address what I am sure is the primary objection to the Pope's analysis.

One of the fundamental precepts of the Pope's approach to economic life is the recognition that every economic act is also a moral act. A basic moral principle to guide economic life is that reward within the economy should be tied to the creation of value. As we are all aware at this juncture, the current global economic crisis had its origin, in large measure, because we lost sight of this fundamental principle. Mind-boggling amounts of money were made by trading credit derivatives which rested on assets that bore virtually no relationship to the amount either of underlying value or prudently calculated risk. It was inevitable that this bubble would pop; it did, and we are still tring to work our way out from under the rubble that was left in its wake.

The pope uses the discussion of the morality of tying reward to value to usher in his discussion of business ethics, which is one of the richest and most provocative passages of the entire encyclical. Unlike many commentators, who seem to see instruction in business ethics as a panacea for almost every ill that affects our financial system, Pope Benedict has a relatively guarded approach to the concept. First, he insists that not all systems that call themselves "ethical" truly are; some approaches to ethics can actually lead to choices contrary to justice and human welfare. Second, he insists that ethics can only be effective if they look beyond existing economic and financial systems and hold them to a standard beyond themselves. Finally, he is emphatic that ethics, to be effective and deserve the name, must be based on the full and rich understanding of the human person that informs the entire encyclical, and in particular is based upon an understanding of the dignity of the human person and the transcendent value of natural moral norms.

To explain this, I'll give you an example that is so perfect that if it hadn't existed, I would have had to make it up—but I didn't.

You may remember Mitt Romney, former Governor of Massachusetts and former presidential candidate. One aspect of Governor Romney's character that all observers acknowledge, even those who were vehemently opposed to his policies and active political opponents, is that he is a man of faith. His Mormon beliefs are central to his character. As many of you know, the Mormon church supports traditional morality and is explicitly opposed to the pernicious influence of pornography in our culture. For many years, Gov. Romney was a member of the Board of Directors of the Marriott corporation, and during that time an activist anti-pornography coalition appealed to him to persuade the Board to remove access to pornographic movies from Marriott hotels. Although Marriott board minutes are not made public, when pressed to discuss whether or not Gov. Romney had actively attempted to influence the board to remove this material, a spokesman answered that the revenue from adult entertainment is an important component of the revenue stream of these hotels, and therefore it would be unethical of Governor Romney to attempt to impose his personal beliefs upon the Board to influence them to make a decision which would hurt the profitability of the company. In this example you see a

perfect example of the "anti-ethics" the Pope is concerned with. If the only, the highest ethical norm is the profitability of the company, the realm of business ethics becomes distorted out of all recognition. We can see in Governor Romney's response the complete adoption of the Enlightenment model of rationality—since profit and loss can be measured, they are perfectly legitimate areas for public discussion. All other more fundamental concerns are mere subjective, private, personal values, not to be imposed on an unwilling audience. Regardless of what we may think about the danger of abusing legitimate realms of freedom by attempting to make pornography illegal, it is obvious that no understanding of the human person based on a recognition of inherent dignity can see it as a matter of indifference. Even leaving aside the mountains of documentation of the harmful effects that pornography has on the consumers and their families, you don't really need to be a refined social observer to recognize the exploitation and degradation that is the only possible basis for the production of pornography. To think that it would be considered outside the realm of legitimate ethical discourse for Governor Romney to use, not his political power as state governor, but merely his persuasive power as one director among many, to ask the directors of a company to reflect on whether they wish to continue to profit by cashing in on this kind of trafficking in human misery and humiliation demonstrates just how significant is Pope Benedict's call for a new approach to understanding the proper scope of reason and civil discourse.

Another example of the significance of Pope Benedict's approach to understanding and encountering the economic realm is his discussion of globalization. The flip side of a world view that takes an instrumentalist view of the human person is the perception that the economic system is governed by impersonal forces that the actors in the system can neither control nor direct. The Pope calls us clearly to reject this passive approach to globalization. Viewing globalization from a deterministic perspective allows us to lose sight of the fact that in and of itself the process of globalization is morally neutral; it is only through human agency and responsibility that it becomes a potential engine of increased communion and sharing of the goods of the earth.
You know, as a teacher of American political thought, I inevitably encounter my students' horror and disgust that Jefferson, the man who solemnly declared that "all men are created equal" was himself a slaveholder. Of course we all rightly recoil from the hypocrisy that exhibits. However, because I think it's important that we not get too complacent in our judgments I routinely follow that discussion up with a question to my students. Are they aware of the horrendous working conditions facing many of the people in China, who manufacture the goods that fill the shelves at our local big-box stores? Yes, they are. Do they think it wrong that workers are exploited and endangered in this way? Yes, they do. Do they still shop at Wal-Mart? Well, of course—we live in Atchison Kansas for heaven's sake—what else are we going to do? They see the point. But then we move on to a larger point. Honestly, in the overall sweep of world history, whether Jefferson did or did not own slaves had almost no impact on the unfolding of human freedom. His fellow revolutionary John Adams never owned a slave. But who had the greater impact? Jefferson. Why? Because Jefferson's words forced Americans to consider the implications of their actions, and to have to grapple with the implications of a regime dedicated to freedom and equality that supported human slavery.

Similarly, I think whether I and my students shop at Wal-mart will have virtually no impact on the direction and sweep of globalization. However, I do think how we think about globalization, and how we persuade others to think about it, can be of profound, lasting, and even world-historical importance. That is what I believe the urgent message of *Caritas in Veritate* is: that to recover the possibility of the truth about the human person is the only secure foundation for a lasting and just global economic order.

This brings me to my final point. I am sure that by now there are many who are thinking that this a wonderful example of academic romantic nonsense (although perhaps you are evenly divided in thinking this is the Pope's romantic nonsense or my romantic nonsense). Because, after all, it is only through the hard-headed, and frankly, remorseless application of the enlightenment-based economic rational man model that the world has experienced the amazing growth in prosperity that has marked the industrial and post-industrial eras. If John Locke could come back today, even he would undoubtedly be astonished at how well his system of unleashing

acquisitiveness to spur production and plenty has worked. So, aren't I (or the pope) asking for a return to squalor and misery. Isn't this a legitimate trade-off—an instrumental understanding of human capital for all this that we're surrounded with?

Not exactly. No one believes, or wants, to turn the clock back to pre-Enlightenment ways of thinking. Religious freedom, for example, is a great advance in human history, because tying the sacred and the secular so closely together gave too much weight to the state and prevented the authentic development of the human faculties of conscience and discernment. Throughout *Caritas in Veritate*, Pope Benedict emphasizes the significance of subsidiarity; of strengthening organizations that are neither states nor firms; organizations that mediate between the individual and the state and provide an alternative to the dichotomy between the all-encompassing state and the isolated individual alone against a competitive market.

A logic of gratuitousness and an economy based on human dignity might, in fact, call for us to re-examine the materialism and consumerism that fuel the current economic system in the developed world. However, this is not to say that citizens of the developed world must resign themselves to a lower standard of living. There is a robust and growing body of work (much of it outside the realm of economics; for example, Robert Putnam's work in political science) which point to a richer definition of prosperity—one which accounts for human relations, civic engagement, social participation and leisure as part of our understanding of what it means to be rich.

As to this being romantic nonsense, I'd like to just point out that this college has been here for a long time. When Alexander Hamilton was a student here, if his fellow students heard a lecture about the moral imperative to end slavery, the reaction would have been that's great, but our prosperity depends on maintaining the system of slavery. When Franklin Roosevelt was here as a young man, had there been a lecture on the need to include women, children, immigrants under the umbrella of protection against exploitation, the reaction would have been that's great, but our prosperity depends on a pool of labor to produce affordable goods. In these cases, change did not come about because of technological or economic advances. Change came because people began to think differently about allegiance and obligation; morality and the requirements of human dignity. I'd like to end my talk tonight with the Pope's words:

"The supremacy of technology tends to prevent people from recognizing anything that cannot be explained in terms of matter alone. Yet everyone experiences the many immaterial and spiritual dimensions of life. Knowing is not simply a material act, since the object that is known always conceals something beyond the empirical datum. All our knowledge, even the most simple, is always a minor miracle, since it can never be fully explained by the material instruments that we apply to it. In every truth there is something more than we would have expected, in the love that we receive there is always an element that surprises us. We should never cease to marvel at these things. In all knowledge and in every act of love the human soul experiences something "over and above", which seems very much like a gift that we receive, or a height to which we are raised. The development of individuals and peoples is likewise located on a height, if we consider *the spiritual dimension* that must be present if such development is to be authentic. It requires new eyes and a new heart, capable of *rising above a materialistic vision of human events*, capable of glimpsing in development the "beyond" that technology cannot give. By following this path, it is possible to pursue the integral human development that takes its direction from the driving force of charity in truth." [paragraph 77]

Aiolfi: Tonight we are very grateful to Dr. Shankman because I think that through her lecture on the encyclical of the Pope, she made it very clear that contrary to the common mentality, it's not really a problem of new rules or of a moralistic approach to the economy, as is also expressed very well in the "*Compendium of the Social Doctrine of the Church*" which does not criticize the current financial system. I just want to read this sentence because I think it's very important to link it with what she said. If you read the "*Compendium of the Social*

Doctrine of the Church" this is what they say about financial markets: “The experience of history teaches that without adequate financial systems, economic growth would not have taken place. Large scale investment typical of modern market economies would have been impossible without the fundamental role of mediation played by financial markets.” This is what you find in the official document of the Church before the financial crisis, so the approach that is taken here and that she explained very well is not in terms of setting up new rules or changing the markets from the way they are, but this idea of broadening reason and changing the idea of rationality that is behind modern economics. And for this we are very grateful to Dr. Shankman. Thank you.