

Pesch, Heinrich, S.J. *Ethics and the National Economy*. Translated, with an introduction, by Rupert Ederer. Norfolk, Virginia: IHS Press. 192 pp. \$13.95 softcover.

Fr. Heinrich Pesch S.J. (1854-1926) is undoubtedly one of the great Catholic economists. This timely translation of Fr. Pesch's book is a welcome companion to the recent translations of his four-volume *Liberalism, Socialism, and Christian Social Order* (*Liberalismus, Sozialismus und Christliche Gesellschaftsordnung*) and his five-volume *Teaching Guide to Economics* (*Lehrbuch der Nationalökonomie*). It has been unfortunate that Pesch's writings were inaccessible to non-German speakers for so long. Until now, English speakers have had to be content with tantalizing snippets of Pesch's penetrating insights through books such as Fr. Richard Mulcahy's *The Economics of Heinrich Pesch*. Pesch's most direct mark on papal social teaching was made through his disciple, fellow Jesuit Oswald von Nell-Breuning, who wrote portions of *Quadragesimo Anno*. A thorough reading of Pesch's works is indispensable for anyone who wants to understand Catholic social teaching.

Fr. Pesch's name is associated with solidarism, an approach that centers the purpose of the economy around the nature of the human being and takes into consideration the call to dominion over the physical universe and humanity's ultimate destiny. This Christian anthropology contrasts with neoclassical economic theory, which emphasizes the transaction between autonomous individuals as a basic economic institution. Under solidarism, an economy must adhere to three principles; the virtues of justice and charity, subsidiarity, and occupational groups.

Ethics and the National Economy, written almost a century ago, is as relevant to today's world as it was during the era of the "Great War." In our world of mega-billion dollar scandals, this set of essays offers a much-needed and refreshing voice that presents economic and social issues in their proper ethical context.

Pesch's direct and cogent way of expressing ideas makes for good sound bites in today's media-savvy environment. For example, he lays out the false logic that equates contraception with economic prosperity. In what can be taken as a headline summary of the Church's message to neo-Malthusians, Pesch states, "See to the proper quality of the population, and you will have nothing to worry about regarding the quantity of population" (47).

Pesch's discussions also serve as testimony that our contemporary society is not the only one struggling with secularization. In a passage that echoes the recent debate in the United States over government partnership with faith-based organizations, Pesch writes, "It is 'humanity,' divorced from any particular creed and from religion generally, which now emerges as the main opponent of a religious basis for welfare activities. We are told that humanitarian welfare activity represents a higher level of morality" (123). Such passages offer the reader much to reflect upon.

Pesch strongly disagrees with a view later championed by Lionel Robbins that economics is a positive science. *Ethics and the National Economy* makes the case that human choice involves ethics, and any science of choice that explicitly excludes ethics cannot be complete. Indeed, Pesch maintains that "the material welfare of nations is essentially conditioned by the practical application of the moral law and the degree of morality that is operational in the economic life of the nation" (36). A purely positive economics is an impossibility.

Ethics and the National Economy offers a critique of the classical liberal economic model. The Smithian "invisible hand" alone cannot bring about social harmony because it excludes the role of justice in price and wage determination. For Pesch, social harmony in a free market is predicated upon three conditions. First, the market price must balance the needs of buyers to consume at a reasonable price and the needs of sellers to earn a normal profit. Second, there must be protection against unfair competition. Third, there must be justice between workers and employers. The ownership of capital goods by the few and the commoditization of labor place employees at a disadvantage. A system of "solidaristic harmony of interest" is needed so that the wage-setting process recognizes that the worker is not an object to be used by capital owners but the subject of the economic production.

Pesch argues that the three "regulating principles" of the free market (self-interest, freedom, and competition) are not true principles for they themselves need regulation. Under solidarism, Adam Smith's market regulating factors are replaced with a national objective of the material welfare of the nation, social-regulating institutions such as occupational organizations and public authority, and a citizenry formed in the Christian conscience. Pesch does not attack the accumulation of profit per se but rather the "capitalistic spirit" of accumulation for its own sake.

Another weakness of Adam Smith's analysis is that it is based on a false anthropology. Smith replaced Christian ethics with his own

empirical moral philosophy. Drawn to its logical conclusion, a *homo economicus* who acts solely according to the classical “natural laws” is unfree. In contrast, Pesch lays out the Catholic view of the person, made in God’s image, in the ever-widening set of social relationships: family, work, Church, and nation. Counter to some liberal theories of social organization, Pesch maintains that the national economy “cannot be regarded as simply the sum of individual economic units whose only bond is the contractual relations which they enter into with each other, any more than the state is a mere sum of citizen-atoms” (55).

Many will undoubtedly consider *Ethics and the National Economy* to be controversial. For example, the marketer may find consolation – or condemnation – in Pesch’s writings. Pesch concludes that “the development, enlargement, and refinement of wants” is not necessarily morally wrong (61). However, he also argues that production and consumption must support the development of the person and bring humanity toward its ultimate spiritual goal.

In his analysis of pricing, Pesch critiques what is traditionally taught in microeconomics. Businesses may be able to raise price because of market power, which can have legitimate sources such as superior innovation. However, there may be less noble reasons for price increases: duress, overcharging due to buyer ignorance or inexperience, or by active deception. Marginal revenue productivity theory is also suspect because of the inherent difficulties in quantifying the value of a worker’s marginal product. Instead, remuneration should be based on a “common estimate” of wages and not economic power. Today’s economics and business students would benefit from reading Pesch’s discussion of the principle of equivalence in trade.

Ethics and the National Economy is highly readable and accessible to nontheologians. It is an excellent resource for those who teach or explain Catholic social thought to a secular world because Pesch uses the language of the economist. The discussion regarding misperceptions that Catholicism is inimical to economic development is also particularly helpful for the apologist. This book should be required reading for all who seriously study economic and social issues.

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