

The Economic Credibility of Pope Francis: *The Australian* newspaper and *Laudato Si'*

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Introduction

The economic views of Pope Francis have been sharply contested, particularly by special interest groups and advocates of the neoliberal economic policies that he so consistently critiques. Such reactions are to be expected, of course, and deserve careful scrutiny. Some more sympathetic economists have also raised questions about how well or accurately Francis has expressed in economic terms his concerns about eradicating poverty and hunger, and reducing inequality.¹

The Australian newspaper in a number of articles trenchantly criticised the 2015 encyclical of Pope Francis, *Laudato Si': On care for our common home*, as wrong about climate change and ignorant about economics. *The Australian's* editor-at-large, Paul Kelly, on 24 June 2015 declared the Pope's language was 'almost hysterical. Profound intellectual ignorance is dressed up as honouring God.'

'Page after page reveals Francis and his advisers as environmental populists and economic ideologues of a quasi-Marxist bent.' He wrote that the Pope has 'delegitimised as immoral' pro-market economic forces. As for Tony Abbott and his Catholic backers, this is a 'relentless repudiation of their ethical framework and policies.'

Kelly alleged that the Pope is totally opposed to the market mechanism and ignorant about the great uplift in living standards in many countries. 'Francis is blind to the liberating power of markets and technology'. It is a 'pure green view of economic and human progress' that calls for decreased growth and opposes maximisation of prof-

1. Joseph Kaboski, 'The Pope doesn't Care about Capitalism', 31 August 2015, CNBC, at <http://www.cnbc.com/he-pope-doesnt-care-about-capitalism-commentary.html>. Accessed 31 August 2015.

its. 'His message fits perfectly with reactionary dogma now gospel in Catholic schools throughout Australia.'²

Kelly seriously misrepresented *Laudato Si'*, surprisingly so for such a senior journalist and economic commentator. Contrary to Kelly's allegation that the Pope is 'blind to the liberating power of markets and technology', Pope Francis explicitly acknowledges and rejoices in the benefits of modern science, technology and creativity which have resulted in advances for humankind (*Laudato Si'* 102). 'In order to continue providing employment, it is imperative to promote an economy which favours productive diversity and business creativity . . . Business is a noble vocation, directed to producing wealth and improving our world' (129). Francis well knows that economic growth is needed to lift millions more out of poverty, but he is calling urgently for greater equity and sustainability, with less waste and more moderate consumption.

Kelly has long been a strident critic of the Church's social teaching, particularly about the morality of markets. In *The Australian* on 26 October 2005 he wrote:

The intellectual failure of the churches to accept the moral foundations of a market economy and market-based mechanisms to deliver equity dooms them to a historic marginalisation. When on earth will the Catholic Church emerge from the defeatist and myopic economics of BA Santamaria? When will it discover one of the elementary precepts of the 18th century, namely the moral laws built into economic liberalism?³

The 1400-word editorial of *The Australian* on 27–28 June 2015, 'Papal prescription for a flawed economic order', added that Pope Francis 'appears to have swallowed a new pernicious dogma' and denounced free-market principles in the guise of 'religious instruction'. The editorial vehemently disapproved of the Pope's warnings of catastrophic climate change. The Pope's 'outburst betrays a fundamental ignorance of economic history', and given his influence, his views could

2. Paul Kelly, 'Green-Left Pope Endorses Flawed View of Progress', *The Australian*, 24 June, 2015. I have found no public comment on *Laudato Si'* from Tony Abbott, presumably because he does not agree with Pope Francis on these issues of climate change and economics.
3. Paul Kelly, 'Half-Measures Could Thwart Equity Goals', *The Australian*, 26 October 2005, 16.

hurt the poor. It alleged that Francis wanted to ‘extend this new form of bureaucratic tyranny to his main economic imperative, re-slicing the economic pie, not enlarging it.’

The editorial continued that ‘Francis has stepped over important demarcations between church and state, blurring the lines between God and Caesar... And turbocharging the UN and other agencies as secular theocracies, even under papal approval, would impair human progress.’⁴

Again, this gravely misrepresented what the Pope said; he envisaged freely agreed systems of international governance to face major world problems, not a tyranny. And far from overstepping demarcations between church and state, Francis urged productive dialogue among all parties to solve problems of poverty and injustice. He does not offer solutions or blueprints. He specifically states that ‘different approaches and lines of thought have emerged regarding this situation and its possible solutions.’ Many approaches are possible, ‘all capable of entering into dialogue’ (LS 60). ‘On many concrete questions, the Church has no reason to offer a definitive opinion; she knows that honest debate must be encouraged among experts, while respecting divergent views. But we need only take a frank look at the facts to see that our common home is falling into serious disrepair’ (LS 61).

In addition, far from wanting to see the pie sliced and diced, the Pope was urging smarter growth, lifting millions more out of poverty, with much less extreme concentrations of wealth certainly, but in an environmentally responsible way to ensure adequate resources for current and future generations. So that other parts of the world could experience healthy growth, he did say it was time ‘to accept decreased growth in some parts of the world’, because of overconsumption there (LS 193).

A phalanx of *The Australian’s* writers joined the attack on the encyclical. Angela Shanahan quoted Fr James Grant, adjunct fellow at the Institute of Public Affairs, that the encyclical ‘should not be treated as official Catholic doctrine’ but as a personal opinion of the Pope, and so ‘Catholics can feel safe in being sceptical about the Pope’s opinions.’⁵ Tess Livingstone wrote that Catholics were not bound to

4. Editorial, ‘Papal Prescription for a Flawed Economic Order: the Church Should Not Belong to the Green-Left Fringe’, *The Australian*, 27–28 June 2015, 23.

5. Angela Shanahan, ‘Francis’s Encyclical on Climate Change isn’t the Gospel Truth for Catholics’, *The Australian*, 20–21 June 2015.

accept Pope Francis's views on climate change, and that his views on markets will make his economic prescriptions 'largely irrelevant'.⁶

Nick Cater of the Menzies Research Centre declared that 'Francis the Handwringer' was 'so overcome with gloom that he makes the prophet Job look cheery'.⁷ Gerard Henderson advised all 'not to regard *Laudato Si'* as in any sense infallible'.⁸ At least Archbishop Denis Hart was given room to endorse the encyclical.⁹ *The Australian* was unexpectedly provocative and one-sided in its attacks on the encyclical. It would appear that the Pope had challenged sensitive economic assumptions of the paper and its political allies.

The Australian newspaper did not allow any rejoinder to these articles, or even barely a letter to the editor in reply. I submitted a response but the paper did not accept it; instead it was published by *Eureka Street* on 9 July. I pointed out that Paul Kelly and the editorial were making very serious allegations against the Pope; in effect they were arguing that he was recklessly misrepresenting Catholic social teaching and was grossly incompetent not only in economics but as a church leader.¹⁰

Brian Lawrence, chair of the Australian Catholic Council of Employment Relations and an authority on industrial issues and Catholic social teaching, wrote a detailed response to *The Australian*, showing how many of the quotations from the Pope were taken out of context, were 'unjustified and grossly unfair'.¹¹ *The Australian* alleged that Francis 'appears to have swallowed a new, pernicious dogma . . . of the anti-free market global green movement.' Lawrence

6. Tess Livingstone, 'Pope Turns Left on the Environment', *The Australian*, 20–21 June 2015.

7. Nick Cater, 'The Wretched Gospel of Pope Francis the Handwringer', *The Australian*, 23 June 2015.

8. Gerard Henderson, 'The Pope can have his Climate Change Say, but it is No Hard and Fast Rule' *The Australian*, 27–28 June 2015.

9. Denis Hart, 'Francis Inspires Us to Care for our World and for Others', *The Australian*, 27–28 June 2015.

10. Bruce Duncan, 'The Australian Gangs up on Pope Francis', *Eureka Street*, at <http://www.eurekastreet.com.au/article.aspx?aeid=45203#.VufcDEByK4M>, accessed 9 July 2015.

11. Brian Lawrence, 'The Economics of *Laudato Si'*: No Surprises Here', Australian Catholic Council for Employment Relations, at <http://www.accer.asn.au/index.php/papers/134-the-economics-of-laudato-si-no-surprises-here/file>, 2. Accessed 14 September 2015.

regarded this as a 'slur' that implied the Pope's views were not part of Catholic social teaching. Lawrence showed that Francis is in solid agreement with his papal predecessors, especially Popes John Paul II and Benedict XVI, both in relation to concern for the environment and their critique of the ideology behind the neoliberal version of free markets.¹²

Other Critics of Francis's Economic Views

Stephen Stromberg in the *Washington Post* of 18 June wrote that Francis's warning about trading in carbon credits gave the impression that he was opposed to 'cap and trade' schemes that used the market to minimise carbon emissions in the most economically efficient manner. Stromberg noted that the US had effectively used a cap-and-trade system to reduce acid rain, but added that perhaps the Pope was referring to the European Union's 'incompetently designed' system. 'Carbon pricing would do exactly what Francis professes to want . . . if properly calibrated.'¹³

In the *New York Times* Joseph Heathjune critiqued *Laudato Si'* for criticising carbon credits, alleging that the Pope said the environment 'cannot be "safeguarded by market forces"'. The scepticism of Pope Francis about market-based solutions was based on a misunderstanding, Heathjune wrote, and that both carbon taxes and emissions trading 'reflected moral conviction.'¹⁴

In *Fortune* magazine Chris Matthews quoted Robert N Stavins, director of the environmental economics program at Harvard, that the Pope was favouring an approach of a 'small set of socialist Latin American countries that are opposed to the world economic order, fearful of free markets, and have been utterly dismissive and uncooperative in the international climate negotiations.'¹⁵

12. Lawrence, 'The Economics of *Laudato Si'*', 33.

13. Stephen Stromberg, 'What Pope Francis Gets Wrong about Climate Change', *Washington Post*, <https://www.washingtonpost.com/blogs/post-partisan/wp/2015/06/18/what-pope-francis-gets-wrong-about-climate-change/>. Accessed 18 June 2015.

14. Joseph Heathjune, 'Pope Francis' Climate Error', *New York Times* http://www.nytimes.com/2015/06/20/opinion/pope-francis-climate-error.html?_r=0. Accessed 19 June 2015.

15. Chris Matthews, 'Even Liberals Think the Pope Needs an Economics Lesson', *Fortune*, at <http://fortune.com/2015/09/23/pope-francis-climate-change-liberals>. Accessed 23 September 2015.

Some Catholic groups were also critical of papal rejection of neoliberal economics. The Catholic neoconservatives, George Weigel, Richard Neuhaus and Michael Novak have consistently tried to reinterpret Catholic social thought in a way more acceptable to United States right-wing political and economic interests. As Michael Sean Winters wrote, 'Novak's writings embody the most strident defense of the modern economic system Pope Francis denounces. Neuhaus has gone to God but his journal, *First Things*, has become the house organ for opposition to Francis.'¹⁶

Robert George wrote in *First Things* on 3 January 2015 that whatever the Pope said on climate change could be ignored since he was not an expert. And two days later, Maureen Mullarkey in a blog added that the Pope was an 'ideologue' and a 'parasite' who 'sullied his office' with his 'theologized propaganda'. *First Things* later disowned the blog.¹⁷ A writer from the Action Institute, Dr Samuel Gregg, told the *Business Spectator* that the Pope's document was 'in many respects . . . a caricature of market economics.'¹⁸ He wrote that 'it's lamentable that this pontificate seems so unwilling to engage in a serious discussion about the market economy's moral and economic merits.'¹⁹

In Australia, Merv Bendle in *Quadrant* magazine accused the Pope of appearing 'to capitulate to the neo-Marxist paganism that underlines the Deep Green ideology'. The encyclical was 'economically illiterate, perpetuating the myth that poverty can be overcome through moral exhortation, central control and income redistribution, rather than the promotion of free enterprise and individual effort.' It was a 're-hash of the familiar Marxist-Leninist diatribes against Western imperialism', as the Pope 'proposes that this murderous and dicta-

16. Michael Sean Winters, 'Review: a Partisan Church III', *National Catholic Reporter*, <http://ncronline.org/blogs/distinctly-catholic/review-partisan-church-part-iii>. Accessed 2 July 2015.

17. Damon Linker, 'Republican Party's War with Pope Francis has finally Started', *The Week*, <http://theweek.com/articles/532784/republican-partys-war-with-pope-francishas-finally-started>. Accessed 13 January 2015.

18. Quoted in Michael Sean Winters, 'Laudato Si' – Magistra No', in *National Catholic Reporter*, 19 June, 2015.

19. Samuel Gregg, 'Laudato Si': Well Intentioned, Economically Flawed', *The American Spectator*, <http://spectator.org/articles/63160/laudato-si%E2%80%99-well-intentioned-economically-flawed>. Accessed 19 June 2016.

torial approach be pursued on a global scale, using the notoriously corrupt United Nations as its vehicle or model.²⁰

Let us take up the issue of the Pope's attack on the neoliberal version of free-market ideology first, then consider the economic expertise behind the encyclical, the issues of carbon trading and speculation, and finally the credibility and moral authority of *Laudato Si'*.

Free Market

The Australian is correct that the encyclical is indeed a trenchant repudiation of the neoliberal economics that has dominated various conservative circles in recent years. Such a strong repudiation by the Pope is not new in Catholic social thinking; it developed over a century in papal encyclicals. Even John Paul II in his celebrated *Centesimus Annus* (1991) after the collapse of the Soviet Union attacked 'unbridled capitalism' which upheld 'the absolute predominance of capital' over labour and society.

In the struggle against such a system, what is being proposed as an alternative is not the socialist system, which in fact turns out to be State capitalism, but rather *a society of free work, of enterprise and of participation*. Such a society is not directed against the market, but demands that the market be appropriately controlled by the forces of society and by the State, so as to guarantee that the basic needs of the whole of society are satisfied.²¹

John Paul II warned that after the collapse of communism 'a radical capitalist ideology could spread', blindly entrusting societies to unregulated free market forces.²² He repeatedly criticised 'neoliberal' capitalism in particular, saying in Latvia in 1993 that the Church had 'always distanced itself from capitalist ideology, holding it responsible for grave social injustices.'²³ In Cuba in 1998 he again

20. Merv Bendle, 'An Apostate Pope?', *Quadrant Online*, at < <https://quadrant.org.au/opinion/doomed-planet/2015/07/apostate-pope/>.> Accessed 15 July 2015.

21. Pope John Paul II, *Centesimus Annus*, 1 May 1991, #33, at < http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_01051991_centesimus-annus.html.> Accessed 1 May 1991.

22. John Paul II, *Centesimus Annus*, #33.

23. John Paul II, 'What Catholic Social Teaching is and is Not', in *Origins* 23/15 (23 September 1993): 257.

attacked 'a certain capitalist neoliberalism that subordinates the human person to blind market forces,' and places 'intolerable burdens' on poorer countries.²⁴

Following the Synod of Bishops of the Americas in 1999, John Paul wrote that 'a system known as "neoliberalism" prevails; based on a purely economic conception of man, this system considers profit and the law of the market as its only parameters, to the detriment of the dignity of and the respect due to individuals and peoples.'²⁵

Likewise, Benedict XVI warned against growing inequality and 'ruinous exploitation of the planet.' Writing in the aftermath of the Global Financial Crisis, Benedict's 2009 encyclical *Caritas in Veritate* insisted that economic activity must consider the wellbeing of all, and not just accumulate wealth apart from considerations of social and distributive justice.²⁶

In short, the Global Financial Crisis exposed the ethical crisis in modern economics, especially in its neoliberal form. The Church has never opposed the market in principle but insisted that it be well-regulated to ensure social justice for all involved, workers, investors, business people and the wider community alike. Neoliberal thinkers, on the other hand, have tried to reduce regulation and constraints on business as much as possible, in the belief that markets will almost automatically produce the most efficient, and hence most moral, outcomes.

Pope Francis, of course, recognises the great advances in living standards in many countries since the Second World War, but laments that finance capital and global corporations are changing the rules so that wealth is pouring into the coffers of the very rich while whole populations are left struggling.²⁷

24. John Paul II, 25 January 1998, quoted in John Sniegocki, *Catholic Social Teaching and Economic Globalization: The Quest for Alternatives* (Milwaukee WI: Marquette University Press, 2009), 148.

25. John Paul II, Apostolic Exhortation *Ecclesia in America*, 22, #56 at <http://w2.vatican.va/content/john-paul-ii/en/apost_exhortations/documents/hf_jp-ii_exh_22011999_ecclesia-in-america.html> Accessed 22 January 1999.

26. Pope Benedict XVI, *Caritas in Veritate*, 29, #36, at <http://w2.vatican.va/content/benedict-xvi/en/encyclicals/documents/hf_ben-xvi_enc_20090629_caritas-in-veritate.html> Accessed 29 June 2009. For some of Benedict's statements on the environment, see Lawrence, 'The Economics of Laudato Si', 21–22.

27. Gerard O'Connell, 'Pope Francis: To Care for the Poor is Not Communism, It is the Gospel', at *America Magazine*, <<http://www.americamagazine.org/content/dispatches/pope-francis-care-poor-not-communism-it-gospel>> Accessed 11 January 2015.

Francis constantly pleads for investors and business people to develop economic activity that will more quickly eradicate hunger and the worst poverty, increase living standards and opportunity more broadly, and restrain excessive consumption to secure a more equitable and sustainable future.²⁸

The Pope is especially speaking for hundreds of millions of people in the developing world, protesting against the unfairness in economic outcomes, the despoliation of their resources and environment, and the fact that their peoples will be hit hardest by the effects of global warming. Through its very extensive networks in developing countries, the Church is well aware of the looming threats to people's wellbeing.

The Economic Critique by Pope Francis

Francis has made no secret of his attack on neoliberalism and its economic implications. The popes have long objected to 'unrestrained capitalism' or 'economic liberalism' that manipulated the global economy to serve dominant special interests. Francis wrote in his 2013 document, *The Joy of the Gospel*, that the 'trickle-down' theories that were supposed to promote wellbeing for everyone have proved naïve and delusive because of the failure in moral underpinnings. (54) 'A new tyranny is born, invisible and often virtual, which unilaterally and relentlessly imposes its own laws and rules.' (56).²⁹ Francis insisted that his critique is 'the inescapable social dimension of the Gospel message.' (258). 'You cannot serve both God and money.' In his words of 20 September 2013, this 'was not communism! This is pure Gospel!'³⁰

Pope Francis was closely involved in the writing of *Laudato Si'* and insisted that reform of capitalism, global warming and sustainability are among the most urgent moral issues of our time. He wants to help mobilise not just Catholics but all people of good will in raising consciousness and urging everyone to act as responsible guardians of the environment and resources for coming generations.

28. Pope Francis, *The Joy of the Gospel: Apostolic Exhortation on the Proclamation of the Gospel in Today's World*, (24 November 2013), #203.

29. See also Bruce Duncan, 'Pope Francis's Call for Social Justice in the Global Economy', *Australasian Catholic Record*, 91/2 (April 2014): 178–94.

30. Pope Francis, *L'Osservatore Romano*, 21 September 2013.

As the new cardinal of Buenos Aires he witnessed Argentina collapse into poverty during the economic crisis of 2001–2 as his country plunged into the largest financial default in history till that time. From being a comparatively prosperous country with only four per cent of the people living in poverty in 1990, in 2001 half the population fell below the poverty line, banks collapsed, many lost their life savings and 40,000 businesses failed. Bergoglio helped marshal church and community groups into emergency support networks.³¹

Bergoglio was one of the most important leaders at the meeting of the bishops of Latin America at Aparecida in Brazil in 2007, and supervised the writing of its 160-page report, summarising their protests against extreme economic inequality and the damaging effects of neoliberal economic policies in their countries.³² The Global Financial Crisis was an extension on a global basis of much of what Bergoglio had already seen in Argentina and elsewhere in Latin America.

Pope Francis was particularly forthright during his trips to Latin America, where he is very familiar with the economic and social problems of the majority of the people. In Bolivia in July 2015 he attacked the single-minded pursuit of money as an idol, quoting one of the early Church Fathers, Basil of Caesarea, who described greed for money as ‘the dung of the devil’. Francis continued: ‘An unfettered pursuit of money rules . . . The service of the common good is left behind . . . once greed for money presides over the entire socioeconomic system, it ruins society, it condemns and enslaves men and women.’³³

Expertise Behind the Encyclical

Laudato Si' develops the Pope’s own moral critique, but he has consulted widely, including with many eminent specialists, notably through the Pontifical Council for Justice and Peace which worked closely with experts in the Pontifical Academy of Social Sciences, formerly headed by the Harvard Law Professor Mary Ann Glendon; the Pontifical Academy of Sciences, with almost 40 Nobel laureates

31. Paul Vallely, *Pope Francis: Untying the Knots* (London: Bloomsbury, 2013), 116.

32. *The Aparecida Document: Fifth General Conference of the Bishops of Latin America and the Caribbean* (Lexington KY: 2007).

33. Pope Francis, Address to the Popular Movements, 9 Santa Cruz, Bolivia <http://w2.vatican.va/content/francesco/en/speeches/2015/july/documents/papa-francesco_20150709_bolivia-movimenti-popolari.html> Accessed 9 July 2015.

among its members; the Vatican Secretariat of State with its extensive diplomatic network and resources, as well as drawing from the concerns of episcopal conferences around the world.

The Pope himself has met many of the leading specialists and economists, including Joseph Stiglitz and Amartya Sen, along with numerous world leaders including Barack Obama and the United Nations Secretary General, Ban Ki-moon, both of whom welcomed the encyclical enthusiastically, especially in view of the forthcoming world conferences on climate change.

Stiglitz has had significant influence among papal advisers, particularly on Monsignor Marcelo Sanchez Sorondo, chancellor of both the Pontifical Academy of Science and the Pontifical Academy of Social Sciences. Stiglitz was appointed to the Pontifical Academy of Social Sciences in 2003.³⁴

Stiglitz wrote the famous article in March 2011 in *Vanity Fair*, 'Of the 1%, by the 1%, for the 1%', that demonstrated the extreme and increasing inequality in the United States, and sparked the 'Occupy Wall Street' movement. In many books, he has shown how in the United States of America most of the wealth has gone to the top income groups, and the great bulk of the population has hardly benefited at all over recent decades. The top one per cent has accumulated astronomical wealth, unimaginable in earlier generations, and with that has come unprecedented political influence and power.

In his 2010 book *Freefall* Stiglitz lamented that 'too little has been written about the underlying "moral deficit" that has been exposed [by the] unrelenting pursuit of profits and elevation of the pursuit of self-interest.'³⁵

That those policies had been shaped by special interests—of the financial markets—is obvious. More complex is the role of economics. Among the long list of those to blame for the crisis, I would include the economics profession, for it provided the special interests with arguments about efficient and self-regulating markets—even though

34. Alejandro Chafuen, 'Pope Francis and the Economists', *Forbes*, 4 December 2013. Free-market economists of the Chicago School have also been represented on the Pontifical Academy of Science, including Gary Becker, from 1997.

35. Joseph E Stiglitz, *Freefall: America, Free Markets, and the Sinking of the World Economy* (New York: WW Norton, 2010), 278.

advances in economics during the preceding two decades had shown the limited conditions under which that theory held true.³⁶

In *The Price of Inequality* (2012) Stiglitz added that 'while globalization may benefit society as a whole, it has left many behind—not a surprise given that, to a large extent, globalization has been managed by corporate and other special interests for their benefit.'³⁷

In *Rewriting the Rules of the American Economy: an Agenda for Growth and Shared Prosperity* (2016), Stiglitz summarised his critique of globalisation and the power of international finance in the way the economy has benefited the very rich at the expense of the great majority of Americans.

In recent decades, 'the benefits of economic growth have disproportionately gone to the top twenty per cent of the population while the share of national income going to the bottom ninety-nine percent has fallen. Incomes, especially for men, have stagnated during this time . . . We now know that developed economies can rise without lifting all boats.'³⁸ He blamed the supply-side economic theories 'driven by conservative ideology and special interests' that led to US policymakers deregulating the economy.³⁹ His book is a scathing indictment of the power of special interests, and the resulting collusion in fraud, corruption, manipulation of markets and growing inequality. He called for a revival in United States democracy to rewrite the economic rules so that all citizens can have fair incomes and life opportunities.

One of the architects of the Millennium Development Goals and later director of the Earth Institute at Columbia University, Jeffrey Sachs, was 'unnerved' to have to write his 2011 book *The Price of Civilization: Economics and Ethics after the Fall*. He lamented the 'moral deprivation' underlying the Global Financial Crisis. 'Something wrong happened to the moral compass of so many of the people working in the financial sector and elsewhere.'⁴⁰ 'Our greatest national illusion is that a healthy society can be organized around the

36. Stiglitz, *Freefall*, xx-xxi.

37. Joseph E Stiglitz, *The Price of Inequality: How Today's Divided Society Endangers our Future* (New York: WW Norton, 2012), 277.

38. Joseph E Stiglitz, *Rewriting the Rules of the American Economy: an Agenda for Growth and Shared Prosperity* (New York: WW Norton, 2016), 6–7.

39. Stiglitz, *Rewriting the Rules*, 17.

40. Jeffrey Sachs, *The Price of Civilization: Economics and Ethics after the Fall* (London: The Bodley Head, 2011), xvii.

single-minded pursuit of wealth . . . Our society has turned harsh, with the elites on Wall Street, in Big Oil, and in Washington among the most irresponsible and selfish of all.⁴¹

Stiglitz and Sachs are not alone in believing that the crisis is fundamentally an ethical one. Many other eminent economists think the problem is systemic in neoliberal economics, resulting in growing inequality. Robert J Shiller, Kenneth Arrow, Robert Kuttner, Nouriel Roubini, Stephen Mihm, Tomas Sedlacek, Paul Krugman and Robert Skidelsky among many others, follow in the steps of Amartya Sen and call for a renewal of moral perspective in economics.⁴²

In the view of the well known economist, Robert Reich, ‘the central choice is not between the ‘free market’ and government; it is between a market organized for broadly based prosperity and one designed to deliver almost all the gains to a few at the top.’⁴³

Astonishingly *The Australian* in its critique of *Laudato Si’* claimed that ‘present debates about inequality within rich countries, while of academic interest, remain a footnote in the bigger story of falling global inequality and poverty’. That view would come as startling to many economists greatly concerned about inequality and poverty, in developed economies as well as globally, and mismanagement of the international economy.⁴⁴

Paul Kelly dug up the hoary old chestnut that the encyclical is ‘flouting science’, ‘which has smashed Christianity from the time of Darwin’. The truth is that the Pope was following the firm advice from the overwhelming majority of scientists and governments in most countries, including China, about the dangers of climate change. As Francis wrote: ‘A very solid scientific consensus indicates that we are presently witnessing a disturbing warming of the climate system’ (*LS* 23). In the view of Lord Nicholas Stern, chair of the Grantham Institute and former chief economist of the World Bank, *Laudato Si’* was ‘extraordinarily important and original’, linking climate change and poverty as ‘the two defining challenges of our generation.’⁴⁵

41. Sachs, *The Price of Civilization*, 9.

42. See Bruce Duncan, ‘Globalisation and the Morality of Economics’, in *Interface: a Forum for Theology in the World* 16/1 (2013): 35–63.

43. Robert B Reich, *Saving Capitalism: for the Many, not the Few* (New York: Alfred A Knopf, 2015), 219.

44. Editorial, ‘Papal Prescription for a Flawed Economic Order’, *The Australian*, 27–28 June 2015, 23.

45. Megan Cornwell, ‘Lord Stern: Pope’s Encyclical was “perfectly timed” for UN Climate Summit’, *London Tablet*, 11 March 2016.

Kelly appears blind to the consequences of global warming which we are already seeing in extreme weather events, threats to food production, increasing heat waves, and rising sea levels likely to force mass migrations of people.

In defence of the climate science behind the encyclical, Hans Joachim Schellnhuber, director of the Potsdam Institute for Climate Impact Science and a world authority in this area, said 'the science of *Laudato Si'* is watertight'. He was involved with consultations about the encyclical and helped launch it. He also specifically supported the encyclical's critique of inequality, saying it is not just 85 of the richest people in the world who control as much wealth as 3.5 billion others, half the entire population of the earth: 'It's actually 60'.⁴⁶

Carbon Trading and Credits

Attracting special criticism of *Laudato Si'* was Pope Francis's comment that 'the strategy of buying and selling "carbon credits" can lead to a new form of speculation which would not help reduce the emission of polluting gases worldwide. It may simply become a ploy which permits maintaining the excessive consumption of some countries and sectors.' (LS 171).

The Australian editorial seriously misinterpreted Francis and misleadingly claimed he 'dismisses carbon trading as "a new form of speculation" that would avoid "the radical change present circumstances require"'.⁴⁷

Francis was not making an in-principle statement against carbon trading. He was warning about fraud and corruption in carbon markets, such as had plagued the European Union with its trading scheme. He warned that carbon trading 'can [my italics] lead to a new form of speculation' and become 'a ploy which permits maintaining the excessive consumption of some countries.' (LS 171–72).

46. Inés San Martín, 'Expert Calls the Science behind the Encyclical Watertight', *Cruz*, at <<http://www.cruznow.com/church/2015/06/18/expert-calls-the-science-behind-the-papal-encyclical-watertight/>>. Accessed 18 June 2015. According to Oxfam, sixty-two people in 2015 controlled as much wealth as half the planet's population. In Australia, Oxfam said, one per cent of the population had as much wealth as the bottom sixty per cent. 'An Economy for the 1%', Oxfam Briefing Paper 210, 18 January 2016, <<https://www.oxfam.org.au/wp-content/uploads/2016/01/an-economy-for-the-1-percent.pdf>>. Accessed 18 January 2016.

47. Editorial, 'Papal Prescription', *The Australian*, 27–28 June 2015.

Francis of course knows that carbon trading may be very important. He is also concerned that the burden of making carbon reductions would be borne mainly by poorer countries when the rich industrial countries caused most of the problem.

Various economists argue that, in theory at least, carbon trading and other market mechanisms are the cheapest way to reduce emissions without compromising growth. But as Rebecca Pearse points out in *Inside Story*, over the last twenty years carbon markets have suffered from regulatory failures and only achieved marginal outcomes.⁴⁸

Ironically, in Australia it is conservatives who have opposed carbon trading 'because it (potentially) involves government action to limit fossil fuels.' Pearse writes that conservatives tried to delegitimise carbon trading by targeting 'the risk associated with international offsets, the failures of the EU carbon market and the regressive impact of carbon pricing.'

Pearse argues that the Paris conference cannot establish a carbon market that can cut emissions strongly enough: 'the carbon market will become increasingly marginal to the debate as the case for energy market reform develops.' Article Six of the Paris agreement also recommended 'balanced non-market approaches' to reducing emissions. She notes new interest in direct regulation, with the Stockholm Environment Institute developing policies for governments to restrict fossil fuel developments.⁴⁹

Failure of EU Carbon Trading Schemes

Carbon trading alone will fail to reduce emissions to keep global temperatures from rising above two degrees centigrade, according to Steffen Böhm from the University of Exeter. The European Union emission trading scheme failed because of 'fraud, corruption, over-allocation of permits and perverse incentives for carbon offsetting—all contributing to the fact that the price for carbon is so low that nobody cares.' Böhm added that offsetting projects in developing countries were responsible for the expansion of polluting indus-

48. Rebecca Pearse, 'After Paris: Where Now for Carbon Pricing?' *Inside Story*, 21 December 2015, <http://insidestory.org.au/after-paris-where-now-for-carbon-pricing>

49. Pearse, 'After Paris.'

tries and land grabs, resulting in 'fraud, support of monocultures, forest enclosures and forced displacements and evictions of indigenous people from their land'.⁵⁰

Böhm strongly defended Pope Francis's scepticism about the operation of carbon markets in practice. He wrote that the 'market-based agenda was pushed by negotiators from the EU, US, Japan and Brazil and provoked an optimistic response from financial, fossil fuel and other industry interests' at the Carbon Expo in Barcelona in May 2015.

As director of the Essex Sustainability Institute at the University of Essex, Böhm carried out research on the operation of the Clean Development Mechanism (CDM) and concluded that 'governments should exclude carbon markets from international climate negotiations.' As an instance, his study showed that between 2005 and 2013, Gujarat Fluorochemicals Limited was awarded more than fifty-five million carbon offset credits for destroying a greenhouse gas, HFC-23, earning the company more than \$US500 million. Perversely the CDM credits created incentives to produce more refrigerant gases so the firm could claim credit for destroying the HFC-23. European companies were able to buy the credits, at the expense of the climate and the local communities in India.

'Researchers and activists have linked this profit-driven logic to the creative accounting, financial fraud, phantom emissions reductions and polluter subsidies that have riddled carbon markets, arguing they cannot be reformed and should be scrapped.' The problems extend to other areas in forestry, wind, biogas and coal. He concluded that 'relying on carbon markets will work against the capacity of governments around the world to end the era of coal, oil and gas.'⁵¹

Katherine Lake from the University of Melbourne also warned of a 'risk that by using foreign emissions reductions countries could delay the task of decarbonising their own economies.'⁵²

50. Steffen Böhm, 'How Emissions Trading at Paris Climate Talks has set us up for Failure', *The Conversation*, at <<https://theconversation.com/how-emissions-trading-at-paris-climate-talks-has-set-us-up-for-failure-52319>>. Accessed 15 December 2015.

51. Steffen Böhm, 'Even the Pope Gets it – Carbon Markets Won't Fix the Climate', *The Conversation*, at <<https://theconversation.com/even-the-pope-gets-it-carbon-markets-wont-fix-the-climate-38950>>. Accessed 25 June 2015.

52. Katherine Lake, 'How will Carbon M Help the Paris Climate Agreement?', *The Conversation*, at <<https://theconversation.com/how-will-carbon-markets-help-the-paris-climate-agreement-52211>>. Accessed 14 December 2015.

Stiglitz himself proposed that a global carbon tax was needed to avoid the free-rider problem, through a common environmental tax on emissions, or a cap and trade policy that set the price of emissions at say eighty dollars a ton.⁵³

Speculation

As for speculation, it can be good or bad for economies, as Lawrence Mitchell pointed out in *The Conversation* in November 2014. He defines speculative assets as those having 'little or no identifiable financial substance' but which are intended to be sold at a higher price. This speculation diverts resources away from the productive economy, and becomes 'parasitic', damaging the economy. Mitchell instances stock 'bubbles' where stockholders pressure managers to produce unrealistic short-term increases in stock value and dividends, damaging the long-term productivity of the asset. Mortgage-backed securities provide other instances of investments in derivatives promising unrealistic returns, resulting in an inevitable crash.⁵⁴

According to Joseph Stiglitz and Hamid Rashid, such reckless forms of speculation helped cause the Global Financial Crisis of 2008, and new problems have emerged from the flood of liquidity which has 'disproportionately gone towards creating financial wealth and inflating asset bubbles, rather than strengthening the real economy.' 'When banks are given the freedom to choose, they choose riskless profit or even financial speculation over lending that would support the broader objective of economic growth.' 'The risk of another financial crisis cannot be ignored.'⁵⁵

The Australian economist, Ross Gittins, is also concerned about the speculative market trading of the big banks, and the power and influence of major companies, with their political donations creating the risk of 'policy capture' in Australia.⁵⁶ Gittins quotes from John

53. Joseph Stiglitz, 'Carbon Price and Climate Change,' <<http://carbon-price.com/joseph-stiglitz>> Accessed 24 December 2015.

54. Lawrence Mitchell, 'Financial Speculation: the Good, the Bad and the Parasitic,' *The Conversation*, <<https://theconversation.com/financial-speculation-the-good-the-bad-and-the-parasitic-33613>>. Accessed 11 November 2014.

55. Joseph Stiglitz and Hamid Rashid, 'What's Holding Back the World Economy?', *The Guardian*, 9 February 2016.

56. Ross Gittins, 'Rein in the Power Wielded by the Big End of Town,' *The Age*, 10 February 2016.

Kay's book, *Other People's Money*, that the massive 'financialisation' by the banks, making extraordinary profits through their speculative activity, is 'socially unproductive' and does not benefit the rest of the economy. He supports splitting the banks so that the speculative banking is totally separate from normal saving and business banking, and that tax payers are not required to rescue speculative banks from failures.⁵⁷

The Credibility and Authority of Pope Francis

The Australian contended that the views in the encyclical are not tenets of faith and morals, and so Catholics are free to disregard them, since it claimed the solutions proposed in the document are ignorant of economic history.

Contrary to the editorial's view, the social encyclicals always involve moral teaching, though they do not claim to be infallible, and Catholics are free to debate and improve on these documents. But they are meant to be taken seriously, especially when the issues are of such crucial importance for the entire planet.

In 1891 Pope Leo XIII defended the struggle for a just wage that would support a family, and endorsed workers' rights to form unions and to strike. He called for a much wider distribution of wealth, along with state intervention to ensure just social conditions and regulation of the economy. These are basic moral issues that remain fundamental in all countries, not least in Australia.

Catholics are free to debate the details of how best to evaluate and implement these aspirations, but the matters are seriously commended to the consciences of Catholics with the full authority of the Church's social teaching. These are the principles of a 'fair go' that helped make Australia prosperous and reasonably equitable.

The same applies to the ideas in *Laudato Si'*. The issues have changed somewhat since Leo XIII's time, but they remain critical moral issues about the wellbeing of billions of people today. Francis considers these issues to be of the utmost urgency, and so is making this extraordinary appeal to all people, whatever their beliefs, to recognise that, on the advice of overwhelming scientific opinion, global warming is increasing dangerously, and the world needs urgently to

57. Ross Gittins, 'Banks Use Us to Hedge their Bets as they Speculate', *The Age*, 2 February 2016.

adjust not only our carbon emissions but also to use resources more equitably and sustainably.

Conclusion

While defenders of neoliberalism and its version of free markets often talk of the market in abstract terms, they not only have ignored the lessons of economic history themselves but even the economic carnage resulting from the Global Financial Crisis. Moreover, every other day reveals new scandals, not just in the predatory behaviour of vulture funds but even in leading companies like Volkswagen, General Motors, Johnson & Johnson and other pharmaceutical companies charging exorbitant prices beyond any financial justification. Australia's Commonwealth Bank has admitted to serious fraud and misconduct, and some are questioning the oligopolistic concentration of financial power in the Big Four Banks, which are valued at over \$360 billion. They claimed assets in 2015 of some \$3.5 trillion—about ten times the value of BHP and RIO combined—and posted profits of over thirty billion dollars. Because of the concentration of banking in Australia, the International Monetary Fund in 2012 warned about the risks they would face in another global financial crisis.⁵⁸

Various commentators have blamed the populist and polarised political climate in the United States on the growing outrage among many Americans at the unfairness of their economic system, with the failure of the democratic processes to remedy the extreme and growing inequality. According to Desmond Lachman, a scholar at the conservative American Enterprise Institute no less, 'If unchecked, crony capitalism will continue to sap vitality out of the US economy and to undermine public support for the American model of capitalism.' John Kehoe commented that years of rent-seeking and manipulation of the economy to serve powerful vested interests are undermining US political stability. Alarm bells should be ringing about the dangers of 'crony capitalism'.⁵⁹

58. Pat McConnell, 'Banking Outlook: Threats from Technology, Burst of Housing Bubble, End of Mining Boom,' *The Conversation*, at <<http://theconversation.com/profiles/pat-mcconnell-13137>>. Accessed 14 March 2016.

59. John Kehoe, 'Regulation: Crony Capitalists are Killing Faith in the Markets,' *The Australian Financial Review*, 4 January 2016.

As the eminent sociologist Amitai Etzioni wrote of the United States: 'Economic interest gained great power over the elected officials, who do not regulate the corporations that seem to lose any sense of self-restraint. We shall face such harm as long as capitalism, which works best when it is reined in, remains unbridled.'⁶⁰ This is true not just for the United States of course, but globally.

These are precisely the concerns of Pope Francis which are well supported by mainstream economists and commentators as we face unprecedented climate change and extreme social and economic inequalities. Francis warns that politics 'must not be subject to the economy' and highlights the 'urgent need for politics and economics to enter into a frank dialogue in the service of life, especially human life.' He laments that the financial crisis of 2007–8 'provided an opportunity to develop a new economy, more attentive to ethical principles, and new ways of regulating speculative financial practices and virtual wealth', but the response failed to rethink 'the outdated criteria which continue to rule the world.' (LS 189). He urges new creativity 'to promote a sustainable and equitable development within the context of a broader concept of quality of life.' (LS 192).

History will judge between the Pope and his critics in *The Australian* and elsewhere, as Francis endeavours to articulate a renewed moral perspective with which to build a fairer and more sustainable economy. The stakes are immensely high, and I suspect it is not Francis who will be judged extremely harshly.

60. Amitai Etzioni, 'Unbridled Capitalism: New Evidence', *Huffington Post*, at <http://www.huffingtonpost.com/amitai-etzioni/unbridled-capitalism-new_b_8177598.html?ir=Australia>. Accessed 23 September 2015.