

Péter Pázmány Catholic University

Faculty of Humanities

Doctoral School on History

Leader: Prof. Dr. Ida Fröhlich

Economic, Regional and Political Historian Workshop

Leader: Prof. Dr. István Berényi

PHD DISSERTATION THESIS

Gábor Kemény

CATHOLIC ECONOMIC THOUGHT IN THE FIRST PART OF TWENTIETH CENTURY,  
FOCUSING ON THE WORK OF OSWALD VON NELL-BREUNING SJ

Consultant: Dr Máté Botos

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## 1. Premise of research, problem definition

The professionals made appreciable efforts to catch up with the leeway caused by 40 years-long communist regime to the economic science in Hungary. Although this effort was basically successful, serious lack was felt by those who attending these courses were not fascinated by the closeness and coherence of the neoclassical economic theory and who asked wrong questions that that the theory could not or did not want to answer In Hungary, these “bad” questions<sup>1</sup> seemed to be moving on distant space and time horizon in the last decade, because in the home developed (undeveloped) situation it could have been dispensed with problems of neoclassical model. The absence of goods was more pressed in Hungary than to break the people’s need for material essentials with negative aspects like ecological and social crisis.

The global financial crisis which began in 2007 and reached Hungary in 2008 made it clear that from 1980’s neoclassical model fights triumphed again sometimes with so serious problems that could not set aside inland and also on the other parts of the world. The answers could not be found within the confines of this model, and the old books on theories and economic sciences considered unnecessary by neoclassical economists had to be opened again.

One of the oldest and not mainstream economic theories is based on social teaching of Church, which had worse predestination in Hungary – total obscurity – compared to the free world. This has historical reasons: under the 40 years long communist regime, the absolutism of Marxist ideology made impossible for every alternative theory to be popular, and to get into professional sphere. The last 20 years were just enough to compensate the mainstream leeway by profession. The small number of papers arrived by the Church is also easily explicable: the Hungarian Catholic Church first wanted to show the basis of social teaching and just a little energy remained to publish multidisciplinary papers from mainstream.

Therefore the aim of this paper is an alternative, to present the catholic economic theory in the first half of twentieth century.

The choice of time interval could be questionable, because the beginning of this period is separated by a century from us. However the long time distance, the similarity is significant between the two periods; the big economic crisis in 1929 and the period between the two World Wars caused such frustration against neoclassical theories that could be experienced from 2007 and especially from 2008.

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<sup>1</sup> For example: the optimal size of economy on Earth, which income distribution rates result the biggest welfare in society, how big is the optimal size of richness, above that wealth - growing does not result pleasure, etc.

The present paper is basically focusing on the presentation of the reasons that influenced catholic economic thinking and of the starting factors, thus the thorough analyses of these factors is highlighted but a brief summary of the results of this theory is given. Accordingly we examine the biblical roots of this idea, the reactions of the Church to economy till the establishment of catholic economic school, the formulation of the school and the premise of development in the twentieth century, and also the contemporary economics theories that affected the catholic economic thinking.

This dissertation focuses on a Jesuit priest, Oswald von Nell-Breuning: he was the main representative of catholic economic thinking in the analyzed period, who lived during the two World Wars, the four determining regimes (age of Kaiser's, Republic of Weimar, Nazi regime, BRD), thus he could get intense inspiration, and experiences about totally conflicting regimes to chisel into solid theory that turned into economic thinking.

The demonstration of catholic economic thinking and the environment of economic theory make possible to examine that assumptions, which ask for economic and theoretical connections of this theory. The development of Nell-Breuning's thinking means further hypothesis compared to earlier catholic economists. Forasmuch was the main representative of the school between the two World Wars and after the World War II., this hypothesis questions the inner development of the catholic economic theory.

## 2. The method of data collection

During the development of the dissertation's topic it was hard to collect the inland sources because of the above mentioned aspects, and foreign sources were needed to prepare more than a half of this paper. I collected them mainly from the library of the University of Wien, in which there are many sources in this topic, thanks to the activity at the University of Wien working, also with the internationally respected Institut für Sozialethik. Besides this, KSZ in Mönchengladbach had also an important role. Anton Rausher, former leader of Katholische Sozialwissenschaftliche Zentralstelle was so kind to submit the missing literature from the Library of the University of Wien, typically between the two World Wars and the studies written by Nell-Breuning.

For the absence of home literature, and the character of my doctorate (correspondence course), we used secondary literature resources<sup>2</sup> in the bigger part of the dissertation. Naturally I worked with these resources as concerning the overview of economic history and history of economic thought. The overview of earlier teaching of Church about economics was made under the same principles, and the development in the 19<sup>th</sup> and 20<sup>th</sup> century. Primary resources were used during analysis of the completed encyclical letters as well as the analysis of Nell-Breuning's work. In the case of these primary resources we considered the fact that practically Nell-Breuning was sentenced to silence during the analyzed period (1934-1945), so if we couldn't find literature as concerning the examined questions between the two World Wars, we took into account his declarations after World War II. Furthermore as Nell-Breuning had more hundred publications till 1950 we overviewed the most important and comprehensive works from the aspects of the dissertation. .

The method of the dissertation is basically the comparative method, with its help we try to compare different elements determined by hypothesis, rationally reconstructed why and how these appeared in the catholic economic theory from the earlier catholic tradition, and from economic events, and theoretical reasoning of that period. We did not use other methods to compare the catholic economic thinking with contemporary economic processes and with the roots of catholic tradition, because the economic processes are subjects of reflections of economic thinking while the aspects connected to catholic tradition do not form a ready system, these are just foot-stones, which could be easily connected to latest economic theories. In case of comparing different economic theories it is needed to follow strict

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<sup>2</sup> But the church economics parts of these are typically not known in Hungary, so in the face of secondary role, these also have newness.

methodological approach, because there are very different economic points of view in the history of economic thinking, with different structures making difficult to compare them with each other and with the catholic economic thinking. To dissolve this problem we used<sup>3</sup> on the one hand the work and the views about research tradition of Larry Laudan, who further developed the work of Thomas Kuhn and Imre Lakatos, on the other hand to complete this we defined a coherent thought frame which makes possible to compare the different black lines following economic traditions. Thus we have to examine the structure of scientific theories.

It is typical to scientific theories that they are based on premises from which they deduce the law of examined subject in strict logical order. In case of economics as social science, the theory creation is not realized in two, but in three steps. The reason is that the economic premises are divided in two essential groups. The primary and the other premises are also determined by how the economic theory relates to people, to community of people and to the society. That is what they determine as a goal, what motivations they have, and what relations they have with each other, on which level of community they give primacy to people or to society.

The premises about people and society determine the frame conditions and institution of economy. These institutions like market, government, ownership define the possibilities of people in economy, and they create rules, which influence significantly the work of economy. Economic operation, economic processes, like production, distribution and consumption mean the third level of examination, at this level conduct the laws, and this is the level, which makes possible verifying and falsifying the premises and conducted laws of the theory.

Because the economics is a social science, the theory creation has another aspect as well. This is the positive and normative point of view, the possibility of “sein” and “sollen”. Until in a determined paradigm, at the natural sciences there is no notability of that what creator of the theory needs, because the reality does not give the possibility to alternative natural laws, the society sciences work with stuff like people, community of people, and with the intellectual products of them, which gives the possibility to the creator of theory to give, over the research tradition, needed, feasible, and normative statements near the positive description of examined agent.

According to the earlier argumentation the economic school can be called as erudite, which lays down determining statements in the sphere of people, society, economic institutions and economic processes, and at each level appears the positive examination, and from basic

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<sup>3</sup> Larry Laudan: From theories to research traditions In.: Gábor Forrai-Péter Szegedi (ed.): Science philosophy, Áron Publisher, Budapest, 1999. 251-267 p.

theorems coming logical conclusion, in that way, one of the elements and statements of the paradigm are not switched together by “must”, but “exist”.<sup>4</sup>

The present dissertation compares the discussed economic schools with this method, besides we try to reveal the connection between the earlier catholic economic theories and the catholic economic school in the early 20<sup>th</sup> century and economic processes in the first decades of this century.

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<sup>4</sup> With this statement I try to narrow the concept of research tradition used by Laudan.

### 3. New results

Most important results of my dissertation are the following: the catholic economic thinking is the same sterling like the most important economic schools; it becomes a comprehensive doctrine in the first half of XX. Century. In Laudan's definition: "the research tradition is an assumption about exists of the examined scope and processes, furthermore about methods<sup>5</sup> for this scope analysis, and for that for building eligible concerned theories." For this condition matches also the catholic economic tradition because it disposes the idea about exists of economic area, about people and things, and about the connection between people and things, furthermore about by these existing inducted ideas. For method used instructions are existing, according to them it should not be rejected the deductive and inductive thinking, and the working of processes and institutions have to be deduced from people and society idea. According to that, the catholic economic thought can be called the same as Marxist and Neoclassical thinking. The catholic economic thought also fits to by this dissertation described criteria (the analysis of people, institution, and process triangle, and description on positive bases of relationship between them). According to criticisms, which qualify unscientific this economic school, (it contains normative findings about economic participants, and it is just economic policy, not just science of economics), everything else, also the Neoclassical school is unscientific, this school also contains premises, which could be just normative according to these essence, and suggestions – in our example the limited government in laissez-faire capitalism.

According to the other important finding of my dissertation, the German historical school had a determining effect on the way catholic economic thought in the first half of XX. Century, thanks to that the economic thinking take into account the frame conditions, which determined the work of economic institutions. According to above in the method chapter mentioned triple division we analyze the most important economic schools of that ages, we can separate them into two groups. Primarily to those, which are concentrating basically just to processes, assuming a stabile institution's background, and rejecting the analysis of effects on economic changes of this institution's background. On the other hand to those schools, which indentify the importance of institutional environment, paying attention to the effects of economic institutions on economic processes. These two basic types of thinking are coming from the classical political economics and German historical school. The main reason of that

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<sup>5</sup> Laudan, Larry: *Progress and Its Problems: Toward a Theory of Scientific Growth*, Berkeley/Los Angeles/London, University of California Press, 1977, 81. o. In: Forrai-Szegedi (1999) 259. p.

is the different historical experience: while the main basic experience of classical economists was in the 100-200 years long stable institution system starting up, from entrepreneurial innovation coming from economic boom (industry revolution in England), the German contemporaries experienced through the effect of a continuous institutional reform started and through already existing technologies resulted economic development, with the German government in the focus (civil institutions establishment in Germany).

According to the third finding of the dissertation, the excessive intervention experience of the German government had a determinative effect on German catholic economic school in the first half of XX. century, that is the reason why this school and its main representative Nell Breuning stand up for free market so distinctly between the two world wars and after the second world war, against of contemporary mainstream actual (Keynesianism) flow. The German and English dialogue was flown basically in different frames already before First World War. Till in English market model was first formulated in the world economic crisis the need of governmental role taking, the government filled a determining part in the German economic model, which after the First World War was so exaggerated that cancelled practically all the other economic actors with all the destroying side - effects. These historical experiences led to that the catholic economic thinking after the second world war (like the ordoliberalism) stand for the more market and less government, until the United Kingdom and France begun to do nationalizations, and the governmental intervention became permanent in market processions.

The fourth main finding of dissertation concerns to the internal development of catholic economics. According to that, in the XX. Century completed catholic thinking had Oswald von Nell-Breuning unlimited role, whose theories were focusing on the more equitable wealth-and income distribution before and after second world war, even though he suggested different solutions, and dealt with different topics before and after the war. However Nell-Breuning did not formulate a coherent system, but he grounded the catholic economic thought level concerning to economic flows through examination of actual economic events and flows, fulfilling with this by Heinrich Pesch detailed outworked, and mainly on people and institutional focusing theory system. Nell Breuning tried to give practical advises in the actual economic and society situation. He saw the solution, in the industry revolution existing so called social question (unequal income distribution, and from that coming class-fights), basically in the income equilibration. The practical way of that he could imagine with wealth redistribution after the first world war (land- and flat reform), and after the second world war he found that in the Mitbestimmung-law, in the worker supervision in company-control.

Behind that stood the idea; if the workers can be involved in the management of a company, it would be led to more equitable share from profit, than waiting for decades long ownership's reform.

The fifth finding of my dissertation concerns to Oswald von Nell-Nreuning. According to that Nell-Breuning had a determining role in the success of catholic economic thinking in Germany after the Second World War, because he created the relationship between the catholic economic tradition and the other economic schools and other interested organizations. In this statement it is implicit included that the economic thinking was not successful in Germany and Austria between the two world wars. The reasons were different in the two countries: In Germany the multiple political diversification of Christian democrats (the Zentrum party was for Catholics, so evangelists stayed without representation, add to that after the first world war Bavarian Folk Party separated from Zentrum), in Austria the reason was the civil war atmosphere between social democrats and Christian socialists, and the basically bad way of theory (social corporatists). Further problem was the mistakable translation of the second social encyclical letter, the Quadragesimo Anno, which could not abolish the separation between Catholics, but with archaic word-use of German translation the text was made total mistakable.

After the Second World War the theoretical separation disappeared, because the history squarely certified the social realistic way and the representative of that, Nell-Breuning, in turn social-corporists were discredited. As favorable development, a united Christian Democrat party was become in Germany (CSU/CDU), in which at first the Christian socialist part was strong, which did not indentified the importance of market. Nell-Breuning played determining part with his theoretical work in that CDU's election program could finally unite the catholic theoretical thinking with ordoliberal theories, even if the roots of thinking, people idea, view of problems, and experience in economic history were the same at catholic economic and ordoliberal theories. Nell-Breuning had a same important role in the integration of trade unions to model of German social market economy, with that he reached that this economic model can reach enduring society stability.

The main result of the dissertation is in Hungary lesser-known, but with even big tradition, and with exceptionally past disposing economic theory, the show of catholic economic thought. The dissertation gives the possibility to compare the crisis in the first half of 20's

Century and the successful answer for that<sup>6</sup> to the today's financial crisis, getting tools from the catholic economic thought during searching for the solutions for the permanent crisis.

We can lay down, while in the 30's crisis stayed on by the industrial revolution generated unequal income distribution, insufficient demand and degraded social network, for that the catholic economics reacted with worker participation in company management, with this more equitable income redistribution and the organization and accentuation of many ways of social care. Against that, process of globalization gives character for permanent financial crisis.

Hereby it is less possible to solve the problems of crisis with governmental and institutional regulation (the governmental interaction, for example bank saving, could be just short-term). Accordingly, the other level became important, – against the period between the two world wars, when the institutional level was determining – the level of people. On global level there is no possibility for income redistribution- if it is not happening at company level; there is no possibility to modify it. And the decisions of company level are not dependent on external regulators, only on decisions of managers, owners and employers. But if the ambition will not be materialized the view of people, the justice, public good - which give the own core give of catholic economic thinking – on this level, it is not possible to give appropriate answer for the new problems of globalization.

This means, after the successes of the 1950's and against fall of the 1980's, again the catholic economics can give the true answer for actual crisis, therewith the rationality and profit intention could not be the only controlling powers, which control the economic activity of people, but also must be important the ambition for justice and public good, putting the economic activity in ethical dimension.

With that, the myth of persistent return of natural right<sup>7</sup> can be again proved: just stand by absolute values can secure that ground, which makes adequate function of the economy and society.

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<sup>6</sup> See the success of the west –European Christian Democrat governments in the 50's 60's.

<sup>7</sup> See more in: Rommen, Heinrich: Der ewige Wiederkehr des Naturrechts. München, Josef Kösel, 1947, First edition: 1936

#### 4. Publications in research topic

*Ethics and economics in “Economic and Society” of Oswald von Nell-Breuning SJ:* In: Csaba Szilágyi (ed.): *The mission of Hungarian Jesuits from the beginning till today* PPKE, Piliscsaba, 2006

*Price-system and justice – market friendly views of Oswald von Nell-Breuning in 1920’s Germany* Kommentár, 2008/2. edition, 71-82. p.

*Changes in Church’s views of economics between 1891 and 1931 by right of Rerum Novarum and Quadragesimo Anno encyclical letters* Farkas Heller books, 2009

*The relationship between the Catholic economic thought and German historical school* Farkas Heller books, 2010 (under publication)