

## **Papal prescription for flawed economic order**

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The election of Pope Francis in 2013 sparked hopes of a reforming, modernising papacy. The Argentinian Jesuit signalled a break with the past, an opportunity to adapt Catholic dogma to the 21st century, with the potential to win the church millions of new followers. Francis's asceticism, work ethic and concern for the poor quickly won him admiration the world over. But in his second encyclical *Laudato Si* (Praised Be) he appears to have swallowed a new, pernicious dogma, that of the anti-development, anti-free market global green movement. Much of his 40,000-word letter to the world is a denunciation, dressed up as religious instruction, of free-market principles and an enthusiastic embrace of the most dire, catastrophist warnings of the global environmental movement. "To degrade the integrity of the earth by causing changes in its climate ... these are sins," he writes, urging the world to reject the "magical conception of the market" and bestowing a quasi-religious status on contentious policy prescriptions. Francis and his advisers, as Paul Kelly wrote this week, emerge as environmental populists and economic ideologues of a quasi-Marxist bent. The Pope says he wants the encyclical to be part of Catholic social teaching. But his "solutions" are secular economic and political opinions. They are not part of the church's deposit of the faith and they are not tenets of faith and morals.

## **Catholics have reason to be annoyed**

Catholics at the sensible centre of the political spectrum have reason to be annoyed that their leader is trying to reposition the church so far to the green-left that it would risk becoming irrelevant. In this, the flock is not obliged to follow the shepherd. Some Christians have long struggled to reconcile the tenets of liberalism with the selflessness that is central to Christian teaching. But this outburst betrays a fundamental ignorance of economic history that, given the Pope's influence and moral authority, has the potential to hurt those he cares for most — the poor. It deserves urgent rebuttal. "We need to grow in the conviction that a decrease in the pace of production and consumption can at times give rise to another form of progress and development," the Pope writes. Yet it is the remarkable increase in output in recent decades, owing to a surge in profitable trade, specialisation and innovation — unprecedented in human history — that has ushered in the biggest reduction in poverty in history, proportionately and in absolute terms.

Since 1980 the world's population has more than doubled to more than seven billion, itself a sign of economic confidence. Yet the number of people living on less than \$US1.25 a day (the World Bank's poverty threshold) has halved to about one billion. According to the Brookings Institute, the global middle class — households with access to decent medical care and enough disposable income to buy some luxuries — is projected to swell from two billion to more than five billion, about 65 per cent of the world's people, by 2035.

## **Asian decisive breaks with naive socialist policies**

The fact economic progress in China and India, whose 2.7 billion people make up almost 40 per cent of the world's population, accounts for the bulk of the global improvement does not somehow qualify the benefits of liberal economic policies. On the contrary, the growth spurts in these Asian giants occurred only after their decisive breaks with naive socialist policies.

Since Chinese leader Deng Xiaoping's liberalising reforms from 1978, China's growth rate has averaged 10 per cent a year, lifting 500 million people out of poverty; in size China's economy now exceeds that of the US. Similarly, India's economy has roughly quadrupled since 1991 when then finance minister, later prime minister, Manmohan Singh began relaxing the byzantine quota and licensing system that had kept his nation in an economic straitjacket. The advanced world, where poverty is now, thankfully, largely a relative concept, struggles to regain the economic vitality of the period before the 2008 financial crisis. But powerful economic undercurrents continue to lift the living standards of the bulk of the world's population in ways no centrally planned system has. Major institutions — the OECD, International Monetary Fund and World Bank — project further significant reductions in poverty.

Admittedly, success has been patchy. In Africa, economic progress has been throttled by corruption and war, and in South America by repeated reversions to populist socialism. Indeed, the Pope's pessimism may stem from experience in his native Argentina which, at the beginning of the 20th century, was — along with Australia — among the richest handful of nations on earth. While Argentina never sustainably liberalised its economy and tumbled down the global economic league table, Australia fought a feared economic deterioration in the 1980s and 90s by liberalising financial, product and labour markets and continues to reap the dividends.

### **No system is perfect**

The costs of the financial crisis and its aftermath were borne overwhelmingly by those who had nothing to do with its making. The crisis revealed egregious failures of regulation and worrying growth in the concentration of wealth, in large part because of the money-printing policies prescribed by economic experts to avoid a depression. But present debates about inequality within rich countries, while of academic interest, remain a footnote in the bigger story of falling global inequality and poverty.

The Pope endorses the bleakest predictions about climate change, ignoring the inexactness of the science and the extended pause in rising temperatures: "Doomsday predictions can no longer be met with irony or disdain." Yet in seeking to reconcile the divide between science and faith, he is lukewarm about the potential of technology to solve environmental problems. Technology linked to business, he says, "proves incapable of seeing the mysterious network of relations between things and so sometimes solves one problem only to create others". Francis also dismisses carbon trading as "a new form of speculation" that would avoid "the radical change present circumstances require". The pace of consumption, waste and environmental change has so stretched the planet's capacity, he claims, "that our contemporary lifestyle, unsustainable as it is, can only precipitate catastrophe". That sweeping assertion should be tested. The Pope exaggerates environmental degradation caused by humans — still barely 4 per cent of the earth's land area is urbanised — and forgets that greater incomes curb degradation and, ultimately, reverse it. Many of the cities of Japan, the US and Europe are today largely smog-free. World Bank data shows forest areas are again expanding in high-income countries, where carbon dioxide emissions per capita have been falling since 1990.

### **The Pope wants "enforceable international agreements"**

To cut emissions, the Pope wants "enforceable international agreements" and "globally regulatory norms". He also would extend this new form of bureaucratic tyranny to his main

moral imperative, re-slicing the economic pie, not enlarging it: “The time has come to accept decreased growth in some parts of the world, in order to provide resources for other places to experience healthy growth.” To that end, he favours “stronger and more efficiently organised international institutions” with functionaries appointed by agreement among nations, and “empowered to impose sanctions”.

### **Wisely, the church has left it to secular authorities...**

Christian moral teaching has long set out broad principles to be applied in wider society: respect for life, the dignity of human beings, care for God’s creation, fair pay and conditions for workers, and a preferential option for the poor. In general, these have helped enhance Judeo-Christian societies. Wisely, the church has left it to secular authorities to determine the prudential means for achieving the common good. St John Paul II worked tirelessly to tear down communism but left it to secular leaders to set up a new order in Poland.

In advocating radical change in economic structures and world governance, Francis has stepped over important demarcations between church and state, blurring the lines between God and Caesar. The 1100-year temporal rule of the Papal States is long over. And turbocharging the UN or other agencies as secular theocracies, even under papal approval, would impair human progress.

Papal encyclicals normally merit close attention. This was especially so under John Paul II, who began *Fides et Ratio* in 1998 arguing faith and reason were “like two wings on which the human spirit rises to the contemplation of truth”. *Laudato Si* needs more reason. Criticising papal teaching does not come easily to Catholics or to other people of goodwill. Francis framed this document around admirable concerns for life and the natural environment. But its flaws, which are not about faith, could weaken the standing of future encyclicals.