NATIONAL CATHOLIC REPORTER
Published on *National Catholic Reporter* (https://www.ncronline.org)

On Economic Myths

Michael Sean Winters | Feb. 12, 2014 Distinctly Catholic

Not all myths are created equal. No one worships Zeus anymore. Myths can only continue to shape a culture so long as they encapsulate what are accepted as essential truths. Nor are all myths false: The gods of the Greeks and the Romans disappeared into the mists of history when the Christian myth took root and I, for one, believe the Christian myth. That said, our Christian beliefs were better able to help people make sense of their lives and their world which is why they swept away the false myths that preceded them.

Think of the some of the myths that surround America?s founding and their enduring strength in shaping the national narrative. Myth 1: The Pilgrims came seeking religious freedom. Actually, the Pilgrims had as much religious liberty as they could want in Holland. They came to America mostly to seek a better life in this world, not the next. Myth 2: The Constitution was devised to put clear checks on governmental authority. In fact, the Constitution was adopted to provide for a stronger federal government, not a weaker one. These myths persist because they continue to have political usefulness.

Nowhere are myths more pernicious than when we examine the modern economy. In this morning?s Washington Post, [1] Harold Meyerson tackles one such myth, the idea that maximizing shareholder value is the essential task of any corporation. He correctly notes that there is no legal requirement that a corporation so conduct itself as to serve first and foremost the goal of higher dividends for stockholders. And, he also shows that this myth is fairly recent, emerging in the 1970s and replacing a previous cultural understanding that corporations had a duty to serve all stakeholders ? investors, workers and the community ? and not just the investor class. And, as soon as bonuses for management became linked with increases in shareholder value, you can bet they would become the primary focus.

The consequences of this new myth for growing income inequality are obvious and Meyerson notes them succinctly: While the value of the S & P Index rose thirty percent last year, capital expenditures for that same S & P 500 only went up by 1.3 percent and disposable income for Americans as a whole rose less than one percent. And, Meyerson usefully notes that while some of our laissez-faire friends point to new technologies and globalization of the labor force as the key drivers of growing income inequality, Germany is as subject to technological advances and a globalized market as the U.S. is, and they have far lower levels of income inequality because the stakeholder myth, rather than the shareholder myth, continues to govern that nation?s approach to corporate responsibility.

The money quote: ?Shareholder capitalism is sustained not by law but by an institutional edifice of greed.?

The other day I called attention to an article by Andrew Abela at the National Catholic Register [2]. Abela is the new dean of Catholic University?s business school and I give him points for trying. I will not enter into the controversy surrounding the new school?s decision to accept a gift from the Koch brothers. I would accept a gift from the Koch brothers on the theory articulated by the Rev. Jerry Falwell when it was revealed his ministries had taken money from the Moonies: ?The Devil has had that money long enough.? But, the propagation of economic myths in Abela?s article warrants attention.

Abela is trying to explain Pope Francis? exhortation Evangelii Gaudium. He wonders what exactly the pope is criticizing and, rightly, suggests it is an ideology ?that when human beings are left alone to contract freely with one another, then the best of all possible worlds will arise. Like most ideologies, this one takes a good idea ? of markets, which in themselves are the fairest and most efficient way to manage economic transactions ? and extends it far beyond its proper scope.? Abela rightly calls this ideology a fallacy.

But, Abela is not dumb and he knows that this ideology is not an all-or-nothing proposition. The myth he holds onto ? ?markets, which in themselves are the fairest and most efficient way to manage economic transactions? ? is quite easily corrupted, and it is so for two reasons. First, markets are better adapted to achieve efficiency than fairness. And, what is fair? Surely, a ?level playing field? can be a legal fiction if the law overlooks the potential for economic coercion by the rich and powerful or if the law does not balance the rights of workers with property rights.

The second reason is more difficult to grasp, but also more essential and, I suspect, it gets to the heart of my problem with Abela?s approach. He writes: ?Common sense alone should be sufficient to show the fallacy of this ideology: Without clear and fair ground rules for economic activity, and without principled behavior by participants, an economy cannot run efficiently, let alone justly.? ?Ground rules? and ?principled behavior? are both extrinsic to the market in Abela?s framework. They are brought to the table of economic decision-making. There is nothing inherent in the markets that motivates, let alone requires, the exercise of solidarity. These must come from outside and be brought to bear on the morally neutral market. It was precisely this extrinsicism that Pope Benedict was lamenting when he asked Caritas in Veritate where the notion of gratuitousness is in the modern economy.

The market is not neutral, however, even if it appears to be so legally. It encourages a host of behaviors, invites a range of attitudes, and provides only one standard of measuring success, profit, all of which are certainly insufficient for a robust Catholic anthropology if not downright hostile to Catholic social teaching. As my hero David Schindler once observed, ?A selfishness become mutual is not yet mutual generosity.? And Christians are called to mutual generosity no matter what economic myths populate the culture.

In America, one myth that remains true is that we are a business-oriented people. And, so long as we are, the myths that shape the world of business will be among the most powerful in our culture. That is why it is so vital that we get these right, ask tough questions and not just provide gauzy encomiums to economic freedom which, to often, are the rhetorical equivalent of an emoticon. I do not worry about CUA?s new business school taking money from the Koch brothers. I worry that they may not yet realize how much they have bitten off. If they aspire to a ?person-centered approach to economic life,? as they claim they wish to do, they will realize soon enough that most persons know their incomes are stagnant, their labor rights infringed, and their prospects for upward mobility limited by the business culture they seem to embrace without the critical sensibility of Harold Meyerson. I would feel better about the project at CUA if they used some of that Koch money to hire Mr. Meyerson.

Links:
[1] http://www.washingtonpost.com/opinions/harold-meyerson-the-myth-of-maximizing-shareholder-value/2014/02/11/00cdfb14-9336-11e3-84e1-27626c5ef5fb_story.html

[2] http://www.ncregister.com/daily-news/the-economic-message-of-pope-francis-evangelii-gaudium/