

## ARTICLES

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# Integrating a Social Justice Perspective in Economics Education: Creating a Distinctly Catholic Education

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*This paper suggests a way of creating a distinctly Catholic economics education by integrating a social justice perspective into the curriculum through writings from Catholic Social Thought (CST). In so doing, we argue that students of economics will gain a more thorough understanding of the economics discipline. Moreover, a grounding in CST will help business and economics students better negotiate the conflicting view of markets they encounter in the “disconnect” between business courses and humanities/social science core courses.*

*The thesis of the paper is that CST can be a useful mechanism by which to instill a social justice perspective in economics education and to motivate educators to be clear and complete in discussing assumptions that underlie economic theory. We explore reasons economics educators have been reluctant to use tools such as CST to inform their discussion of economic theory. We use the subdiscipline of welfare theory and in particular assumptions regarding the common good, preference satisfaction, and individual and social utility to distinguish between perspectives from CST and what is taught as modern economic theory. Finally, we offer some simple curricular changes that can be accomplished with little cost, which can lead to three bold accomplishments: creating a distinctly Catholic economics education, improving students' understanding of their discipline, and diminishing the frustration and confusion students feel when they encounter disconnected messages about the effects of markets and the promotion of social justice.*

**B**usiness schools from Catholic universities, striving to be mission driven, face many challenges not faced by secular business schools. Overarching the myriad complexities of teaching individual disciplinary bodies of knowledge is the question: Is there any meaning to the phrase “Catholic business education” or is “Catholic” superfluous? In other words, does “Catholic” make any difference to students or faculty and to the

educational outcomes of a business school within a Catholic university? In recent years there have been many calls from Catholic scholars and Catholic university administrators for an examination of the meaning of Catholic business education.<sup>1</sup>

The call for examination of our Catholicity is not new. Questions of whether and how programs are distinct and distinctly Catholic have been asked repeatedly. The authors suggest there are two implications of our continual revisiting of these questions, one more favorable than the other. The favorable perspective: Our continual revisiting of the “Catholicity” question, as we label it, is borne out of a natural desire for continuous quality improvement. The less favorable alternative is that our revisiting comes from a suspicion that we are failing—that “Catholic” is in fact merely a superfluous adjective.

Regardless of which view one takes, we argue that any examination into the Catholicity question must be highly focused, pragmatic, and engaging to faculty if there is going to be any chance of achieving meaningful insights. We further argue that these engagements should be pursued at the disciplinary level. For example, this paper explores the question of Catholicity in the context of economics education. Another issue, which we will explore in more detail later in the paper, is a disconnect in the view of markets between faculty from business and economics programs who tend to support market-based social policy solutions and faculty from the humanities and social sciences who often believe that markets promote social injustice.

The major contribution of the paper is its proposition that this disconnect in the view of markets is, in fact, closely related to the Catholicity question and that any serious attempt to achieve a Catholic character in a business school must consider both. We believe that addressing the Catholicity question will simultaneously help students negotiate conflicting views of markets that we have identified in the teaching of economics. A significant payoff is that by so addressing these issues we will also improve students’ overall understanding of economic theory and better prepare them to participate in serious policy discussions. We contend that writings from the Catholic Social Thought (CST) tradition can provide a context for students to understand economic theory, thus giving meaning to a distinctly Catholic economics education and providing an answer to the Catholicity question. The sequence and the desirable outcome of this process are thus: By incorporating the writings

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1 Michael McNaughton discusses the place of business schools within a Catholic university in a 2008 interview (Adkins, 2008). McNaughton was a sponsor of The Role of Mission-Driven Business Schools conference, held at the University of Notre Dame in 2008. More information can be found at: <http://www.stthomas.edu/cathstudies/cst/conferences/becu/>

of CST into economics education, the problem of disconnected views of markets will be diminished and ultimately our students will understand economic theory better than they would otherwise.

### **The Problem of Catholicity**

There can be little doubt that deans and admissions officers of Catholic business schools in the United States advertise the Catholicity of the university as an important reason for students to enroll. Their claim is that Catholic thought, overlaid on the teaching of traditional bodies of knowledge in business disciplines, is distinctive and meaningful and produces business professionals who are different from and superior to those with secular training. That the deans, administrators, and many among the faculty believe this ideal is beyond question. Yet, is this ideal realized in practice? Business education in the 21st century has exploded in complexity and in its importance in shaping society's future. The number of students pursuing business education has exploded as well. These facts pose a grave challenge to the role that Catholicity plays in forming what business students "know" and how they think.

We believe that the actions, or more precisely inactions, of many administrators and faculty of Catholic business schools in two key areas give rise to the Catholicity question. First, we hypothesize that many administrators and faculty of Catholic business schools expect that the Catholic character they feel is so vital in shaping business students' perspectives will be taught in classes outside the business school. They rely on university core classes in religious studies, philosophy, and the humanities to provide the bulk of the Catholic-ness, so that occasional reinforcement in at least some classes within the business school will suffice to illustrate the practical application of Catholic principles. On a fundamental level, this compartmentalization is an abrogation of the responsibility to address proactively the contributions of Catholic thought regarding business and economics. Moreover, as we have suggested, what business students are taught in university core classes about free markets often contradicts what they learn in business courses. This disconnect leaves students frustrated, confused, and angry.

Second, we worry that faculty and administrators in Catholic business schools concentrate on the ways that CST informs business education without giving thought to how business and economics education must also inform CST. We are concerned that there is a tendency to perceive CST as consisting of a body of discrete tenets or prescriptions instead of a dynamic, ongoing worldview that evolves in dialogue. Given the complexity of business-related issues in the 21st century, achieving social outcomes congruent with CST

requires sophisticated business tools informed by such a perception of the nature of CST for effective policy making. Globalization, for example, suggests myriad issues such as offshoring, sweatshops, and foreign debt forgiveness. Simplistic policy prescriptions uninformed by the business and economics knowledge that has evolved with the increasing complexities of business-related issues could lead to disastrous unintended consequences. We say it is not enough that business and economics students learn from CST; we also argue that business and economics knowledge can contribute to CST.

### **A Related Problem: The Disconnect in Teaching about Markets**

A major problem, especially at Catholic universities where social justice is an overarching concern for many faculty, is a disconnect between the positive view of markets expressed by business faculty and the negative views of many faculty from the humanities and social sciences.

In an empirical study conducted several years ago, we discovered the extent and significance of this gap (Carrithers & Peterson, 2006). The study involved individual and group interviews with students and faculty from our business school and the humanities and social science disciplines. We consulted business school faculty from other Catholic institutions to learn whether our experience was shared on other campuses. We also conducted focus group discussions, and undertook an extensive examination of syllabi from courses in business and humanities and social sciences, looking for evidence of a disconnect. Evidence of a disconnect was very strong, and acknowledged by faculty and students from both sides. We discuss the results and implications in a previous paper (Carrithers & Peterson, 2006). The evidence of a disconnect that came out of that study is assumed here in developing our hypothesis connecting the Catholicity problem and the problem of the disconnect.

The problem is a disconnect in the teaching of issues related to market economics and social justice between faculty who support market-based economies and those who believe capitalism promotes economic injustice (Carrithers & Peterson, 2006). For convenience, we identify humanities and social science faculty as A&S (Arts and Sciences). Put simply, business and economics faculty focus on the function of markets, the benefits of market economies, and the conduct of business within market economies while A&S faculty emphasize flaws and failures of market economies. By the term “disconnect,” we mean that the teaching of these topics by these two faculty groups is so out of touch with each other that students cannot reconcile or even connect the classroom discussions of the two faculty groups.

Through interviews with representatives from both faculties, we observed how strongly each held to particular preconceptions of the other, and how little each actually knew about the other's perception of economic justice (Carrithers & Peterson, 2006). Consider these words from an A&S professor: "Many arts and sciences faculty believe that business school faculty have a completely different value system, which is motivated by wealth accumulation, while being indifferent to social justice issues such as the widening wealth gap between rich and poor." This professor went on to say:

Some faculty on "our side" believe that capitalism is fundamentally flawed and it is their duty to challenge the system at every opportunity. Others believe that free markets are a reality that must be accepted, but that interventions are necessary to ensure social justice.

In contrast, these are the words of an economist in the School of Business: "Do those who believe capitalism promotes economic injustice have an alternative system in mind? To my knowledge, they have never had much to say other than throwing stones at economic freedom." Our research thus uncovered an alarming "us" versus "them" attitude between business and A&S faculty, intensified by the extreme positions advocated by those with the loudest voices, who tended to be most ideologically grounded in their perspective.

The evidence provided by students is even more alarming in our view. Students in an economics class taught by one of the authors were asked if they perceived a disconnect between classes in A&S and the business school in what they were taught about markets. Following are three telling responses:

Yes. The [business] school tends to focus on the equations, theories, and practices of the field of study and does not talk much about ethics or morals. They [faculty in A&S] tend to preach liberal ideas and have on occasion bashed business leaders of the day.

I believe there is a disconnect here just like at most other schools. During my time taking university core classes [in A&S], I was taught that globalization and free markets hurt the developing countries and only serve to make the rich, industrialized countries wealthier.

Sure, all business students are aware that there is a different way of thinking about economics in A&S and the [business] school. I pretty much figure they think I'm evil and I just think they're stupid.

Sometimes, business students' responses were almost visceral. Not only were they taught different perspectives, but they also felt vilified in classes where they were identified as an "outsider" or "the business person." For example, one student explained, "When taking a liberation theology class [in A&S] I was made to feel that any wealth that I myself or my family had was evil and must be given away." Another responded, "In a philosophy class I was the only business student enrolled. Not only did my peers and professor constantly slander my religious and political beliefs, but they created an unwelcome environment in which to share my thoughts." Though these are a few examples, the evidence is overwhelming that faculty and students alike are aware of the disconnect; moreover, this disconnect harms students, not just in their learning but in the way they treat and are treated by the "other side."

### **Obstacles to Business and Economics Faculty Incorporating CST into the Curriculum**

Shortly, we will contend that incorporating CST into the economics curriculum will help address both the Catholicity question and the disconnect problem. First, we acknowledge there are two obstacles that impede faculty from addressing either the problem of Catholicity or the disconnect. Both stem from natural inclinations, or perhaps inhibitions, of faculty. One obstacle is the manner by which faculty are trained—at least currently in the United States. Graduate training in economics and the business disciplines is conducted in extremely isolated silos. Students never take courses outside their own disciplines. In this world, a thesis committee supervising an economics doctoral candidate is considered diverse if it includes a finance professor.

Historically, early economists resisted the role of mathematics to advance the discipline because they suspected that mathematics could not capture those parts of the discipline that make it a moral science (Quddus & Rashid, 1991). However, presently, advanced study in economics is highly technical, quantitative, and narrowly focused. The evolution of economics as a quantitative discipline dictates the kind of training that students who aspire to become university professors receive. Moreover, to prepare students at an earlier stage for the training they will receive later, textbooks have adopted a more quantitative tenor. The themes discussed in the Catholic intellectual tradition are rarely, if ever, discussed in the training of the faculty who will go on to teach the next generation of students of economics. It is hardly surprising that faculty, ill prepared as they are for economic discussions involving CST, would be resistant to incorporating these themes into their curricula.

We are certainly not the first to offer these observations regarding the current state of business and economics education in the United States. David Colander (2003), for example, noted that economics avoids all serious discussions of ethics. Similarly, Alan Ryan (1995) noted that only recently has economics become “emancipated” from philosophy, history, and sociology. Rather than preach only the “Chicago school” of Hayek and Friedman, Ryan notes that economists at the beginning of the 20th century “practiced Christian economics, institutional and historical economics” (p. 25). Both authors believe that economics would benefit from deeper consideration of the nature of the human person and what constitutes social welfare.

The second obstacle is a corollary of the first. Faculty have little desire to address these topics. They have not been trained in these dimensions of their discipline. Naturally, they are nervous about expanding their classes’ scope of inquiry beyond the standard they were taught. They are not “experts,” and, therefore, are unwilling to speak on these topics.

Finally, suppose there is the rare professor who wishes to introduce CST into a course in economics. How would she go about it? Just as the training of graduate students is dominated by large, state universities, so, too, are the textbooks. As a result, a faculty member wanting to incorporate materials related to CST first must locate material appropriate to the class from unfamiliar sources, integrate it into the traditional material, and then convince her students that such inclusion is justified. On our campus, the faculty is fortunate to have available a yearlong seminar on CST, which shows how Jesuit/Catholic teachings about social justice are grounded in Catholic theology and philosophic thought. Anyone from campus can participate. Both authors have benefited from this seminar. However, it is noteworthy that very few other faculty from our business school have participated.

If we are correct in identifying important obstacles to increasing the Catholicity in our business and economics programs, we feel a solution follows logically. Efforts to increase Catholicity and address the disconnect must be engaged on a disciplinary level. Faculty must discover how and where within their disciplines the larger social questions can be addressed. They must also embrace contrasting, especially dissenting, views. These contrasting views should not be limited to, but should include CST. Our suggestion is that discussions at the university and school level are not as effective as discussions at the disciplinary level. Catholic universities need to sponsor disciplinary events (seminars, colloquia, multiday conferences, and sponsored paper series) to achieve these ends. We believe that by addressing the concerns of Catholicity and disconnect, instructors can improve students’ understanding of the particular discipline they are studying and, by incorporating critical perspectives,

their cognitive development as well. We assert that stressing the complementarity of our ultimate objectives should increase faculty participation.

### **Incorporating CST into Economics: Uncovering Economists' Unstated Assumptions**

For faculty wishing to incorporate CST into an economics course, we believe the first thing she must do is recognize that much of what is assumed in economics goes unstated. Most students either do not think economics has a moral foundation, or if they do, they do not comprehend what it is. As Stephen Worland (1983), emeritus faculty of the Department of Economics at the University of Notre Dame, reminds us, traditionally economics was a branch of moral philosophy. Its concerns were then, and continue to be, the principles and the institutions that govern economic activity. Its goals still include the discovery of economic principles and the forming of an institutional framework to promote the welfare of society. What should the rules be by which goods and services are produced and distributed? What economic system should we adopt?

We are all familiar with Adam Smith's (1776/1981) "answer" to these questions—his argument against the "mercantile system" in favor of a "system of natural liberty," which argues that the market serves society better than the previous system's high degree of governmental control. Since Smith's writings, the discipline of economics has constructed a body of work called welfare theory. Within welfare theory, we find a formalized rationale for markets. Implied in this body of theory is a fairly limited role for government. Consider the following illustration taken from a well-regarded textbook:

We have shown that a perfectly competitive price system, by relying on the self-interest of people and of firms, and by utilizing the information carried by equilibrium prices, can arrive at an economically efficient allocation of resources. In a sense, this finding provides "scientific" support for the laissez-faire position taken by many economists. (Nicholson, 1990, p. 369)

Welfare theory rests upon a number of assumptions that relate to market structure and to notions regarding the nature of the good and well-being. Unfortunately, the teaching of economics articulates and studies the implication of only some of these assumptions—see for example, Nicholson's (1990)

*Intermediate Microeconomics*.<sup>2</sup> Other assumptions are left unstated or are presented as obvious truths and left uninvestigated. For those assumptions that are enunciated, the authors believe economists proceed in a praiseworthy manner. The assumptions are stated clearly and the discipline has devoted much time and ink studying the implications of assumption violations. Quite often, a violation of an assumption underlying welfare theory implies an expanded role for government. For example, the first fundamental welfare theorem assumes a perfectly competitive market structure. If this assumption is violated by the production of a negative externality (pollution), economic theory may recommend a government-imposed tax on the product associated with the negative externality (or some other form of intervention).

The problem, we believe, is that the teaching of economics leaves many underlying assumptions unstated, and, therefore, not discussed. Please note, we are not saying that economics or economists have ignored these assumptions. That would be false. These are in fact well-charted waters. What we are saying is that the *teaching* of economics, at least in the United States, mostly omits their presentation. We see at least three problems arising from this omission. The first and most obvious problem is that the vast majority of our students are not even provided the opportunity to understand exactly what the discipline assumes. As David Colander (2003) notes, “The current framework of principles textbooks encourages professors to avoid broader moral issues and certain underlying assumptions” (p. 84). “Textbooks accomplish this,” he writes, “by selectively choosing examples and focusing on those policies that are consistent with the conventional moral view, which means that the moral issues do not show up in the discussion” (p. 87).<sup>3</sup>

A second problem is that the decision to neglect a certain set of initial assumptions retards our students’ ability to view the current canon of economics as just that—the *current* canon. The history of economics demonstrates

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2 For example, in Nicholson’s (1990) *Intermediate Microeconomics*, the assumptions underlying perfect competition (a homogeneous product, a large number of buyers and sellers, no missing markets, no public goods, no externalities, perfect information, no barriers to entry) are all clearly stated as are assumptions regarding tastes and preferences (complete and transitive) and violations of these assumptions are investigated. The assumption regarding “more is better” is also stated: “A third assumption we make about individual preferences is that a person prefers more of a good to less....This idea of preferences is implicit in our definition of an ‘economic good’ as an item that yields positive benefits to people” (p. 61). Alternative definitions of the good are not considered, nor mentioned. Other assumptions related to a preference satisfaction view of the good (discussed below) are not presented at all. [The authors would like to note that Nicholson’s text is otherwise excellent. We cite it because of its deserved position of respect within the field.]

3 The authors would like to note that Colander’s (2008) own principles text represents an exception to this general rule. His text devotes considerable attention to the underlying philosophical precepts of the discipline. See his chapter 17, “Microeconomic Policy, Economic Reasoning, and Beyond” (pp. 371-389).

that economics is an evolving discipline and that prior schools of thought are often replaced when their underlying metaphysical and ethical precepts are no longer accepted. Since it is precisely these assumptions that are left unaddressed, our students are unable to anticipate when or why the system they have been taught will come under fire and how it might evolve in response.

The third and most important negative outcome associated with the discipline's failure to address unstated assumptions is the negative impact upon our students' ability to participate in public discourse regarding markets. Our economics majors generally are well prepared to read articles from other economists and attend conferences where other economists present their work. However, these articles and papers all share the same initial assumptions. By contrast, much of the public discussion, particularly critiques of economics, are focused at the foundational level of economic theory.

The mismatch between the disciplinary inquiry and public discourse is repeated on our campuses. Again, economists pursue their research paths with shared, fundamental assumptions. Within the university, the critiquing voices of public discourse come from other disciplines—particularly those from arts and science. This mismatch of questions and assumptions is the source of the disconnect problem we previously identified. The unstated assumptions of economic theory are generally the contact points with these other disciplines. Since students of economics are not exposed to these assumptions, they are unable to pursue a serious dialogue with critics from either the public discourse or from other disciplines. They are left merely with slogans—"markets are efficient." Note how the disciplinary isolation that typifies doctoral education becomes manifest in the teaching of economics to undergraduates.

It is our belief that we can address the first problem above (students do not understand what their discipline assumes) while simultaneously addressing the third problem (students are unable to participate in serious discussions of economic policy). We further contend that CST represents a particularly helpful teaching resource in these dual pursuits. By including CST in this fashion, we address the Catholicity question discussed earlier.

### **How CST Critiques the Unstated Assumptions of Economic Theory**

Our goal in this section of the paper is to show how CST is particularly helpful in offering alternative perspectives on normally unstated, uninvestigated standard assumptions within economic theory. We begin by stating these standard assumptions, both explicit and implicit, contained within the economics subdiscipline, "welfare theory." We also state the conclusions that follow from these assumptions.

The first fundamental welfare theorem states that if all markets (factor and product) are perfectly competitive and complete, the economy is described as “Pareto Optimal,” or “Pareto Efficient.” Pareto Optimality/Efficiency consists of three components—efficiency in the product mix (sometimes referred to as “consumer sovereignty,” or “allocative efficiency”), efficiency in the input use (sometimes referred to as the “no waste condition”), and efficiency in exchange (or “distributive efficiency”). Combined, the components hold that no person within the society can be made better off without harming someone else. Again, we teach that if markets are competitive and complete, a market system achieves the three efficiency or optimality conditions above—automatically. The conclusion is that markets are good, and, by implication, government exists only to enforce contracts.<sup>4</sup>

When we interrogate the assumptions underlying the first welfare theorem, we find much that is, in fact, open to investigation. Four of these assumptions quickly come to mind. First, the “goodness” of activities and institutions is judged solely by their contribution to the utility of atomistic individuals. Whether actions and institutions are good for society depends solely upon how well they contribute to social utility—the sum of the utilities of the independent individuals who make up society. Second, the ethics of welfare theory are consequentialistic. The discipline judges activities and institutions based on how they affect individuals within an economy. Third, utility, in turn, is defined as preference satisfaction. Humans are assumed to desire goods and services. As their preferences for these goods and services are satisfied, they derive utility. Finally, utility is assumed to be homogeneous—that is, different actions and institutions satisfy different preferences, and, therefore, generate different levels of utility. However, utility only varies in quantity or intensity. All judgments with respect to economic policy and economic institutions are made against this ethical metric (Hausman & McPherson, 1996).<sup>5</sup>

The remainder of this section of the paper contains illustrations of how economics educators might use CST to investigate the four assumptions above from economic theory regarding the good. This investigation, we think, will

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4 The teaching of these conclusions is aided by the presentation of systems of equations, a series of mathematical proofs, and a set of graphs, all showing these optimization results. These equations and diagrams are rhetorically powerful. We worry that students see these equations and diagrams and conclude that the results are “scientific,” and, therefore, beyond reproach. In the same vein, we worry that economics’ appropriation of mathematical tools invites similar confusion. Students of economics are often asked to solve optimization problems. Here, optimization merely implies a mathematical result. We worry that students attribute something more to their work. We worry that when “optimization” becomes “optimal” (an ending description of a mathematical process), our students understand “optimal” to mean “socially optimal.”

5 Hausman and McPherson’s (1996) *Economic Analysis and Moral Philosophy* contains an excellent treatment of these assumptions. Part II, “Welfare and Consequences,” is particularly helpful.

help economics faculty (a) promote their students' understanding of economic theory, (b) increase the Catholicity of their programs, and (c) address the problem of disconnect in the view of markets.

***Critique of Assumption One: Social Welfare Is the Sum of the Utility of Atomistic Individuals***

Perhaps the most obvious point of contention between the assumptions contained in economic theory and CST is their basic notions of social welfare. Economic theory holds that society's well-being is simply measured as the sum of the utility of the independent individuals who comprise it. On the other hand, CST places great emphasis on the common good. We believe that discussions between students exposed to ideas regarding the common good in theology, philosophy, political science, or other core courses and students from business and economics backgrounds are frequently frustrating because of these fundamentally different welfare notions. The source of these frustrations has been explored extensively by Andrew Yuengert. Economists are frustrated by the idea of the common good, writes Yuengert (2001), due to their "methodological individualism and emotivism" (p. 1). Yuengert notes that it is not that economists are without a conception of the common good. The economics literature contains extensive discussions of how individuals benefit by coming together in society. However, the benefits realized are "defined as the surpluses of the individuals, whose utilities are defined on their own consumption and leisure" (p. 5). Modern economics sees society as composed of a set of atomistic, fully formed individuals who enter society because society advances their individual well-being. Society exists to serve the individual.

While the traditional idea of the common good shares with modern economics the notion that society serves the individual, it adds two dimensions to the society/individual relationship. First, there is an objective or purpose that exists outside or before the individual—a common good. Second, and following from the idea that society itself has a purpose, the traditional view holds that the individual serves society and that society has responsibility for the formation of the individual—his or her tastes. These additional two dimensions are clearly reflected in CST. For example, in *Mater et Magistra*, John XXIII (1961/2000) defines the common good as "the sum total of those conditions of social living, whereby men are enabled more fully and more readily to achieve their own perfection" (§65). For these conditions to be realized, he writes, "It is necessary that public authorities have a correct understanding of

the common good” (§65). Only after these conditions are established could the idea of citizen as consumer be considered.

Another distinction between the traditional view of the common good and that of the modern economist follows from the emphasis on community in the traditional view and the emphasis on the individual in the economist’s. Instead of accepting without question the tastes, preferences, and, therefore, the goals of a society’s individuals, the traditional view of the common good devotes much of its attention to the development of individuals so that individuals share a common view of society’s purpose. The congruence on this point between the traditional view of the common good and CST is captured in the U.S. Catholic Bishops’ Letter (1986/2000), *Economic Justice for All*. They write,

Human dignity can be realized and protected only in community. In our teaching, the human person is not only sacred but also social. How we organize our society—in economics and politics, in law and policy—directly affects human dignity and the capacity of individuals to grow in community. The obligation to “love our neighbor” has an individual dimension, but it also requires a broader social commitment to the common good. (§14)

Thus, while economists take preferences as given, magically exogenous, in the classical theory of the common good, the formation of preferences is the most important thing that occurs in society.

CST thus provides a powerful way for students to critique the concept of “common good” in traditional economic theory. Particularly, exposure to CST helps them understand the following:

- The difference between community as simply the sum of its people and community as an identifiable value beyond the individual
- The lack of discussion within conventional economics teaching of preference formation
- The fact that economists do not really respect all preferences equally (economics texts and teachers “launder” racist, sadistic, and other antisocial preferences from consideration)
- Differing conceptions of the common good

By including readings such as those cited above in our teaching of economics, our students will better appreciate the perspective of modern economic thought and its limitations. They will also better appreciate the value of alternative perspectives—including that of the Catholic Church.

### ***Critique of Assumption Two: Consequentialism***

A problem faced by consequentialistic ethical theories is how to deal with rights. Some consequentialists defend rights by a rule-consequentialistic approach—rights are good because they produce good outcomes. But, we believe that most people, most economists, in fact, actually see rights as existing prior to society—as inalienable—a deontological perspective. The problem for economists, suggest Hausman and McPherson (1996), is how to incorporate a view of intrinsically valuable rights into an overall moral theory.

CST can help students appreciate this shortcoming because CST's economics perspective is rights based, not consequentialistic. For example, in *Pacem in Terris*, John XXIII (1963/2000) states that every human being is a person; that is, his nature is endowed with intelligence and free will. Indeed, precisely because he is a person he has rights and obligations flowing directly and simultaneously from his very nature. And, "As these rights and obligations are universal and inviolable, so they cannot in any way be surrendered" (§9). The nature of these rights is fully articulated in *Gaudium et Spes* (Vatican II, 1965/2000):

Therefore, there must be made available to all men everything necessary for leading a life truly human, such as food, clothing, and shelter; the right to choose a state of life freely and to found a family; the right to education, to employment, to a good reputation, to respect, to appropriate information, to activity in accord with the upright norm of one's own conscience, to protection of privacy, and to rightful freedom in matters of religion too. (§26)

By examining an alternative perspective, economics and business students will be better able to identify missing elements of their theory and be more sensitive to differing views.

Still, we anticipate frustration when our students approach public policy discussions from different sides of the consequentialist/deontological divide. Consider a version of the living wage debate between two students, one from A&S and the other from business or economics. The A&S student might say, "All individuals deserve a living wage." A business or economics student might hear this as "raise the minimum wage." The problem is that the two students in this hypothetical discussion are employing different ethical frameworks. The student from A&S is talking about *rights*. She is attempting to define conditions guaranteed to all persons. On the other hand, the business or economics student is discussing the potential *consequences* of raising the minimum wage. Recalling her principles of economics class, she reasons that

a higher minimum wage may lower employment. Therefore, an increase in the minimum wage may or may not improve the position of workers. It depends on the demand elasticity of wages. This discussion is unlikely to get very far. The business student will conclude that the A&S student does not understand simple supply and demand. The A&S student will conclude that the business student does not care if workers live or die. Both walk away frustrated and unheard. Neither will be able to offer much to a discussion of policy.

We want these two students (and all our students) to recognize that rights and consequences are two important but different perspectives. We would like the business and economics student to be aware of the lack of a definition of rights within economic, and, therefore, business theory. We want her or him to know that the discipline assumes some rights that are guaranteed to all and some that are not. However, it has not been clear about what differentiates them. Further, we would like this student to be familiar with at least some of the Church's writings on this subject such as those mentioned above. Also, John Paul II's (1991/2000) revisiting of *Rerum Novarum* in *Centesimus Annus* represents a good place to start given its broad historical perspective, and its balanced recognition of the efficiency benefits derived from markets and steady call for workers' rights. Regarding the A&S student, we would like him or her to be more cautious when moving from the principle of the living wage to the policy proposal of raising the minimum wage—particularly in international markets. Some recommended policy actions could very easily create perverse outcomes. Ultimately, we want both the A&S student and the business student to recognize the weaknesses in both positions. Our hope is that such increased humility will allow for more open, thoughtful dialogue.

### ***Critique of Assumption Three: Preference Satisfaction as the Measure of Welfare***

It is standard in microeconomic theory to define humans as utility-maximizing consumers of goods and services. Humans/consumers are assumed to have well-defined tastes or preferences with respect to goods and services. These preferences are satisfied by the acquisition of the desired goods and services, which generates utility—the sole measure of human well-being in economics theory. Since it is also assumed that these humans/consumers tastes and preferences are insatiable, a convenient shorthand emerges: “More is better.”

While no one doubts that goods and services play an important part in defining the well-being of an individual, few actually believe preference satisfaction or utility to be the sole determinant of well-being. Interestingly, it is only recently that economics has adopted this narrow view of individual

welfare. Writing in 1924, in the first chapter of his *The Economics of Welfare*, A.C. Pigou discusses “economic welfare,” which deals with “that group of satisfactions and dissatisfactions which can be brought into relation with a money measure.” But he goes to pains stating that economic welfare is only a part of social welfare. His book, he explains, is an attempt to investigate only this one part of welfare in general. This is no dodge. It is not an attempt to distance himself (as later economists would) from other “non-economic” considerations. Rather, Pigou uses the distinction between economic welfare and non-economic welfare to pose interesting questions. What is the relationship between economic and total welfare? Does an increase in economic welfare always contribute to the general welfare? He closes the chapter with the hope that the “bridge between economic welfare and total welfare will not rust unused” (p. 22).

CST is much more in line with Pigou and the concerns of earlier economics than with modern economics theory. Reflecting on the effects of business cycles in the first world and the extreme poverty of the third world in *Sollicitudo Rei Socialis*, John Paul II (1987/2000) writes

The “economic” concept itself, linked to the word development, has entered into crisis. In fact there is a better understanding today that the *mere accumulation* of goods and services, even for the benefit of the majority, is not enough for the realization of human happiness. (§28)

Continuing, he writes,

A disconcerting conclusion about the most recent period should serve to enlighten us: Side-by-side with the miseries of underdevelopment, themselves unacceptable, we find ourselves up against a form of superdevelopment, equally inadmissible, because like the former it is contrary to what is good and to true happiness. This superdevelopment, which consists in an excessive availability of every kind of material good for the benefit of certain social groups, easily makes people slaves of “possession” and of immediate gratification, with no other horizon than that the multiplication or continual replacement of things already owned with others still better. (§28)

Whereas modern economic theory views the acquisition of goods and services as a direct contribution to preference satisfaction and utility, CST sees the contribution of goods and services as indirect—as “instruments in the growth and progress” (Paul VI, 1967/2000, §22) of the individual. The emphasis is not on “having;” it is on “being.” Goods and services are not to

be viewed as an end. Instead, they are necessary elements of life in pursuit of “truth, beauty, goodness and communion with others for the sake of the common good” (John Paul II, 1991/2000, §36). And, whereas modern economic theory conveys a “more is better” attitude, CST is highly critical of the self-interest implied in such a vision. The exclusive pursuit of possessions, in fact, is likely to become an obstacle in obtaining individual fulfillment and true greatness (Paul VI, 1967/2000, §19). Speaking of modern man and society, but perhaps equally of modern economic theory, John Paul II (1991/2000) writes,

In all this, one notes first the poverty or narrowness of man’s outlook, motivated as he is by a desire to possess things rather than to relate them to the truth, and lacking that disinterested, unselfish and aesthetic attitude that is born of wonder in the presence of being and of the beauty which enables one to see in visible things the message of the invisible God who created them. In this regard, humanity today must be conscious of its duties and obligations towards future generations. (§37)

Our goal as economics educators is to promote our students’ understanding of the discipline as well as promote their cognitive development. We need to create opportunities for them to reflect upon the material in their texts and on our whiteboards. We need to shake them out of the simple, rote, automatic attractiveness of finding points of tangency between indifference curves and budget constraints. These graphs and equations have great rhetorical power; we need to include different but equally powerful teaching materials in our courses like those discussed above that give pause for reflection.

If we are successful in creating a space for a critical examination of the discipline’s identification of preference satisfaction as the exclusive measure of individual welfare, we will have prepared our students to engage better in economic discourse. They will be aware of the work of at least a few of the critics of economics’ narrow focus. As a result, they will be open to other dimensions of individual welfare, and they will welcome discussions of tastes and preferences and how they are formed instead of simply repeating the slogan, “Markets make what people want.” Still, importantly, they will also defend the enormous contributions to society made by economic theory. Hopefully, they will not be bullied by those who repeat the opposite slogan, “Markets are bad.” Having read John Paul II’s (1987/2000) encyclical they will recall his recognition that goods and services are needed, that they are vital to the people of this earth.

There is no doubt that he needs created goods and the products of industry, which is constantly being enriched by scientific and technological progress. And the ever greater availability of material goods not only meets needs but opens new horizons. The danger of the misuse of material goods and the appearance of artificial needs should in no way hinder the regard we have for the new goods and resources placed at our disposal and the use we make of them. On the contrary, we must see them as a gift from God and as a response to the human vocation, which is fully realized in Christ. (§29)

### ***Critique of Assumption Four: Homogeneity of Utility***

The preceding subsection of this paper focused on CST's concerns regarding possessions, "having versus being," and the pursuit of material gain. The focus was the quantity of goods and services and the contrast between modern economic theory and CST regarding how these goods and services promote (or detract from) human welfare. Perhaps equally important in CST is the decision of which goods and services to produce and consume. Modern economic theory is largely silent on this topic. As John Paul II (1991/2000) observes in *Centesimus Annus*, "Of itself, an economic system does not possess criteria for correctly distinguishing new and higher forms of satisfying human needs from artificial needs which hinder the formation of mature personality" (§36).

John Paul II's observation is entirely correct. Economic systems, market-based systems, do not distinguish between authentic and artificial needs or between wants and needs. Neither does economic theory. In the standard treatment of the subject, all goods and services are judged (by individuals) merely on the basis of contribution to utility. There are no categories of goods and services. There is no taxonomy. All goods and services, economists say, are homogeneous with regard to utility.

CST denies this homogeneity. Again, CST is interested in "being" not "having." The problem with "having" is its lack of regard for "the *quality* and the *ordered hierarchy* of the goods one has" (John Paul II, 1987/2000, §28). The evaluation of the quality of goods as well as the hierarchy of goods derives from their contribution in promoting "being," a more authentic human development—an interior dimension—and by their contribution to improving human conditions. The improvement of the human condition, according to CST, entails "victory over social scourges, growth of knowledge, acquisition of culture, cooperation of the common good, the will and desire for peace, the acknowledgement by man of supreme values, and of God their source and their finality" (Paul VI, 1967/2000, §21). It is this perspective that

makes CST critical of the effects of advertising, fearing that it distorts the distinction between “primary” and “superfluous needs” (Paul VI, 1971/2000, §9). It is also the basis for a general suspicion that “advanced economies” have moved past or away from providing the limited necessities of human life toward a pattern of production and consumption as an end—consumerism (John Paul II, 1991/2000, §36).

Ultimately, we want our students to understand that the market and the theory regarding markets are both neutral with respect to what goods and services are produced. We also want them to be prepared to discuss the virtues and vices of this neutrality. For good and for bad, a market system simply responds to the demands of its citizens. The virtue of this neutrality is that the people decide what will be produced. The consumer, it is said, is sovereign. The vice of the neutrality is that people often demand silly, bad, or destructive things. And, of course, consumers are open to the manipulation of advertisers. Because of these facts, we want students to applaud John Paul II’s (1991/2000) call for improved “education of consumers in the responsible use of their power of choice” (§36). At the same time we would like our students to question John Paul II’s call for “the necessary intervention by public authorities” (§36). What form, they should ask, will this intervention take? What is the state’s role in deciding which goods and services will be produced? What is the state’s role in deciding which goods and services will be allowed to advertise? In what venues? Subject to what restrictions? We want open, informed, thoughtful discussions on these important issues.

### Conclusion

We see at least two ways to pursue our vision for increasing the Catholicity of our economics programs. First, we think that it should be relatively easy to amend the current teaching of the history of economic thought by including a series of outside readings—each focused on the unstated, underlying assumptions of economic theory. These readings should be easy to gather, particularly those from CST, which are generally available online. Pope Benedict XVI’s (2009) recent encyclical, *In Charity and Truth*, is only one example. Discussions of these readings could take place in as few as two class sessions (which we recognize imposes an opportunity cost). A second approach would involve offering a 2- to 3-credit seminar concurrent with the teaching of intermediate microeconomics. This seminar would allow the faculty member teaching intermediate micro to focus on the important tools of economics while ensuring that these same students understand the philosophical position implicit in the course. An even more interesting option would be to offer

an ethics course, “The Ethics of Economics,” which would satisfy university core course requirements.

We are optimistic about the benefits of these proposals. Over the past few years, one of the authors has brought many of the documents referenced above into his history of economics class. Without attempting to combat the disconnect problem deliberately or directly, he noted that students in the class seem able to employ the new materials to connect the conflicting teachings they have encountered. We close with two recent e-mails that we take as signs of progress. One student writes (unprompted),

I see how economics for all its mathematical modeling originated in philosophy... I think that some of the authors we've read like Sen and Colander would have some objections to your assumptions [a list of neoclassical assumptions sent in a previous e-mail], which again begs the question is this list being presented as fact? Perhaps it would be better to state factually that neo-classical economics is based on these precepts but these assumptions are not to be taken as facts... they're just the best things we've come up with so we work with them.

Another student, again unprompted, writes,

It wasn't until now that I'd heard well-reasoned criticisms of economic theory and its assumptions. Before, I thought people simply intended to replace free markets with socialistic, freedom-restricting policies. I didn't think they understood how self-interest and private property can better the whole (and in many cases, I still don't), but I'd never closely considered the assumptions upon which neoclassical economic thought is based. Like you said, the assumptions have their weaknesses and they're being asked to support an awful lot. The preference endogeneity problem really strikes a chord. So does Sen's capability argument. Although I agree that preference satisfaction can be a reasonable measure of well-being, this is only if those preferences are adequately formed. I think society has a moral obligation to ensure sufficient functioning such that individuals can act autonomously and rationally in pursuing their best interests. Where the line should be drawn I'm not entirely sure. But I would argue, as would Sen, that an objective minimum does exist.

We take these e-mails from students to be very encouraging. Not only are they wrestling with the difficult questions to which they are being exposed, but they appear to recognize the important implications of their critical questioning of the underpinnings of the discipline. Moreover, one can sense their excitement in seeing their discipline through a different lens.

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