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## The social ethics of capitalism

JESÚS HUERTA DE SOTO



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# The social ethics of capitalism

JESÚS HUERTA DE SOTO\*

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## I. INTRODUCTION

Perhaps nothing has done more to damage the prestige of ethical social behaviors than the deification of reason, science, and technique. This exaltation manifested itself throughout the twentieth century in the triumph of a "scientific" approach, by which an awkward and mechanistic attempt was made to apply to the sphere of social interaction a methodology originally designed for the natural sciences and the realm of physics. The scientific view entailed the systematic application of a narrow standard of "rationality" to the field of social sciences. According to this standard, both the human action of individuals and politics in general are determined by calculations and valuations of costs and benefits via a criterion of maximiza-

tion which supposedly makes it possible to "optimize" the achievement of ends pursued based on means given.

From this perspective, the idea that ethical principles are guides for human behavior clearly appeared to lose prominence and importance. In fact, it seemed that a universal guide had been found for human behavior, which on its different levels (the individual and the social) could be determined by the simple criterion of maximizing the imagined beneficial *consequences* of each action, without the need for adapting any behavior to set ethical standards. In this way, science would have managed to silence and render obsolete ideas of ethical principles and justice.



## II. THE FAILURE OF CONSEQUENTIALISM

Nevertheless, this *consequentialist* ideal, which has become widespread in nearly all spheres of modern life, and which consists of the belief that it is possible to act by making decisions that maximize the positive consequences foreseen based on given means and costs that are also supposedly known, has obviously failed.<sup>1</sup>

On the one hand, the very evolution of social science has shown that it is theoretically impossible to obtain the necessary information regarding the benefits and costs of each human action. This theorem of modern economics rests on the innate creative capacity of human beings, who are constantly making entrepreneurial discoveries of new ends and means, discoveries which give rise to a flow of new information or knowledge that makes it impossible to predict the specific future consequences of the different human actions performed and/or political decisions made at any one time.<sup>2</sup> On the other hand, the failure of real socialism and the crisis of the welfare state,

understood as the most ambitious experiments of social engineering carried out by human beings in their entire history, have dealt a devastating blow to consequentialist doctrine. In fact, the huge amount of resources devoted for almost seventy years to the attempted evaluation of different political options in terms of costs and benefits, and the imposition of these options on the citizens by force to achieve in an "optimal" manner the ends proposed, have proven insufficient to fulfill expectations, and the result has been major social conflicts, dismal economic failures, and more than anything, enormous human suffering.

The theoretical and historical failure of scientific consequentialism has restored a leading role to behavioral norms that are based on dogmatic ethical principles. The pivotal role of such norms as irreplaceable "automatic pilots" for human behavior and freedom is again coming to be fully appreciated, not only on a scientific level, but also, and especially, on a popular level.

1 When John Paul II criticizes consequentialism in his encyclical letter, *Veritatis Splendor*, he literally states: "Moreover, everyone recognizes the difficulty, or rather the impossibility, of evaluating all the good and evil consequences and effects — defined as pre-moral — of one's own acts: an exhaustive rational calculation is not possible. How then can one go about establishing proportions which depend on a measuring, the criteria of which remain obscure? How could an absolute obligation be justified on the basis of such debatable calculations?" John Paul II, *Veritatis Splendor* [Encyclical letter on the Splendor of Truth], section 77, accessed Oct. 27, 2013, [http://www.vatican.va/holy\\_father/john\\_paul\\_ii/encyclicals/documents/hf\\_jp-ii\\_enc\\_06081993\\_veritatis-splendor\\_en.html](http://www.vatican.va/holy_father/john_paul_ii/encyclicals/documents/hf_jp-ii_enc_06081993_veritatis-splendor_en.html).

2 It was theorists of the Austrian school of economics (Mises and Hayek) who discovered this theorem, which was formulated and perfected throughout the prolonged twentieth-century controversy over the impossibility of socialism, a debate which also revealed the severe crisis of the neoclassical-Walrasian paradigm and the static view of economics which until now has dominated academic classrooms, a view that presupposes that the ends and means are known and given and that the economic problem is simply a technical problem of maximization. See Jesús Huerta de Soto, *Socialism, Economic Calculation, and Entrepreneurship*, Edward Elgar, Cheltenham, UK and Northampton, Massachusetts, 2010, especially chapters 2 and 3.

### III. THE IMPORTANCE OF THE ETHICAL FOUNDATION FOR LIBERTY

Perhaps one of the most significant contributions of late twentieth-century social theory was to reveal that the consequentialist analysis of costs and benefits is insufficient to justify the market economy. It is not only that much of the economic science developed to this point has rested on the intellectual error of presupposing a static framework of given ends and means. It is also that even the much more realistic and fruitful viewpoint of the analysis based on the creative capacity of human beings and on the theoretical study of the dynamic processes of social coordination which arise from entrepre-

neurship, an approach developed by the Austrian school of economics, does not, *in and of itself*, categorically provide a sound basis for the spontaneous order of cooperation which is characteristic of the market and which derives from a free-enterprise system that functions within the framework of a state governed by the rule of law.

Even if we abandon the scientific, static criterion of Pareto efficiency and replace it with another more dynamic standard based on coordination, notions of "efficiency" will never be enough, by themselves, to convince all those



who place notions of justice before the different conceptions of "efficiency."

At the same time, the recognition of the social discoordination (inefficiency) that in the long term results from any systematic attempt to coerce via state interventionism the spontaneous processes of human interaction is also insufficient to necessarily and automatically win over all those whose *time preference* is so intense that despite the negative medium- and

cal-Walrasian paradigm predominant in economic science until now, has failed abysmally; b) the theoretical analysis of market processes, which rests on human beings' entrepreneurial capacity and was carried out by Mises and Hayek, though it is much stronger than the analysis derived from the neoclassical paradigm preponderant thus far, is also insufficient, in and of itself, to justify the market economy; c) given the state of ineradicable ignorance in

**It is basically moral considerations that drive the reformist behavior of human beings, who are often willing to make significant sacrifices to achieve what they consider good and just from a moral point of view.**

long-term effects of the intervention, they set a higher value on its short-term benefits.

This is generally the case with privileged interest groups, which have obtained perks and subsidies from the public authorities and, having become accustomed to receiving them, are particularly reluctant in the short-term to give up the advantages they enjoy, even when, rationally speaking, they admit that in the long term the result is negative for all of society, including themselves.<sup>3</sup>

Therefore, an ethical foundation for the theory of liberty is necessary; in fact, it is essential for the following reasons: a) "social engineering," and more specifically, consequentialism, which derives from the neoclassi-

which human beings find themselves, a circumstance which arises from their ability to constantly create new information, they need a moral framework of behavioral principles to provide an automatic indication of which patterns of behavior are acceptable and which are not; and d) from a strategic point of view, it is mainly moral notions that motivate reformist behavior in human beings, who on many occasions are willing to make considerable sacrifices to achieve what they consider good and just from a moral standpoint, and such behavior is much more difficult to ensure based on cold calculations of costs and benefits, estimates which furthermore are of dubious scientific worth.

<sup>3</sup> These are basically the arguments Murray N. Rothbard presents against the excessively "utilitarian" lines of reasoning offered by his teacher, Ludwig von Mises. See Murray N. Rothbard, *The Ethics of Liberty*, New York University Press, New York and London, 2002.

## IV. THE POSSIBILITY OF FORMULATING A THEORY OF SOCIAL ETHICS

A large number of scientists and specialists still believe it is impossible to conceive of an objective theory about justice and moral principles. The development of this widespread opinion has been heavily influenced by the very evolution of social science, which until now has focused obsessively on the criterion of maximization and has taught not only that each actor's ends and means are subjective, but also that moral principles of behavior also depend on the subjective autonomy of each decision-maker. For if behavior can be decided *ad hoc* in each situation based on a pure cost-benefit analysis, there is no need for morality, understood as a previously-established system of guidelines for behavior, and thus morality is blurred completely and can quite easily come to be seen as a matter relevant only within the particular sphere of each individual's subjective autonomy.

In contrast to this position predominant up to now, let us consider that it is one thing to assert that valuations, utilities, and costs are subjective, which they certainly are, as economic science has correctly affirmed, and quite another to claim that objectively-valid moral principles do not exist.<sup>4</sup>

In fact, it is not only advantageous but also perfectly possible to develop an entire scientific theory on the moral principles which must guide the human behavior and social interaction on which the spontaneous model of social cooperation essential to the development of civilization depends.

Actually, in recent years, three important works have appeared in this field. First, there is the natural law argument developed by Rothbard in his now-classic work on *The Ethics of Liberty*;<sup>5</sup> second, there is Hans-Hermann Hoppe's axiomatic deduction of the intrinsically moral nature of private property and the market economy;<sup>6</sup> and third, there is the brilliant contribution of Israel M. Kirzner, who has managed to reframe the concept of distributive justice in capitalism, when he shows that every human being has a right to take ownership of the results of his or her own entrepreneurial creativity.<sup>7</sup>

Let us note that all of these contributions have come from theorists of the Austrian school of economics, which again reveals the strong connections between a correctly-formulated economic theory and the sphere of social ethics.<sup>8</sup>

4 "But economics does correctly inform us, not that *moral principles* are subjective, but that utilities and costs are indeed subjective." Murray N. Rothbard, *The Ethics of Liberty*, op. cit., accessed Nov. 4, 2013, <http://mises.org/daily/2647>.

5 Murray N. Rothbard, *The Ethics of Liberty*, op. cit.

6 Hans-Hermann Hoppe starts from the Habermasian axiom that argumentation between different people requires the implicit acceptance of individuality and the right of ownership to the self, one's being and thoughts, and from this axiom, Hoppe logically deduces an entire ethical foundation for property rights and capitalism. See his book, *A Theory of Socialism and Capitalism*, Kluwer Academic Publishers, Holland, 1989 (especially chap. 7, pp. 127-144); and also his work, *The Economics and Ethics of Private Property*, Kluwer Academic Publishers, Holland, 1993, chaps. 8-10, (pp. 173-208).

7 Israel M. Kirzner, *Discovery, Capitalism, and Distributive Justice*, Basil Blackwell, London, 1989.

8 In addition to these two perspectives (economic theory and social ethics), there is a third, historical-evolutionary perspective

For even though economic science is *wertfrei*, or free of value judgments, it can shed light on different ethical viewpoints so that choosing one is easier, and, as Rothbard, Hoppe, and Kirzner have shown, it can also facilitate and strengthen logical-deductive reasoning in the realm

of social ethics, thus avoiding the many errors and dangers that would arise from the static analysis of a poorly formulated (neoclassical) economic theory, based on unrealistic assumptions of full information and on an extremely narrow concept of "rationality."<sup>9</sup>

**It is one thing that valuations, profits, and costs are indeed subjective, as economic science correctly points out, but it is quite another that there are no moral principles of objective validity.**

developed by Hayek and covered in my paper, "Conjectural History and Beyond", *Humane Studies Review*, vol. 6, no. 2, winter 1988-89, p.10. In this paper, I attempt to show that each of the three perspectives has its own area of application and enriches, complements, and compensates for the possible errors and excesses of the other two.

9 Nevertheless, economic theory cannot by itself determine a moral position, and thus the criticism Roland Kley leveled at Kirzner is unfounded. Roland Kley, *Hayek's Social and Political Thought*, Clarendon Press, Oxford, 1994, footnote 9, p. 228.

## V. THE NON-EXISTENT OPPOSITION BETWEEN THE STANDARDS OF EFFICIENCY AND JUSTICE

The idea that efficiency and ethics are two different dimensions which can be combined in different proportions is another of the negative consequences which follow naturally from the scientific paradigm that until now has predominated in social studies. In fact, if one believes it is possible to make decisions based on a cost-benefit analysis, because one presupposes that all necessary information is given in a static context, then not only is it not necessary for individual actors to abide by any prior framework of guidelines for moral behavior (apart from a mere *ad hoc* maximization of "utility"), but it is also easy to arrive at the conclusion (reflected, for example, in the so-called "second fundamental theorem of welfare economics") that any scheme of equity imposed by the force of the state can become compatible with the static criteria of Pareto efficiency.

However, the view of the social process as a dynamic reality comprised of the interaction between countless human beings, each of them endowed with an innate and constant creative capacity, recognizes that it is impossible to know in detail the costs and benefits that will follow from each action, and as a result, human beings must use as an automatic pilot for behavior a series of moral guidelines or principles for action. Moreover, these moral principles tend to make it possible for people to interact in a coordinated manner, and thus, the principles tend to generate a process of coordination which I have referred to as "dynamically efficient."

From the point of view of the market as a dynamic process, efficiency understood as coordination emerges from the behavior of human beings when they follow certain specific moral guidelines; *and vice versa*, the exercise of human action subject to

**The controversy between efficiency and justice is false and erroneous. What is fair cannot be inefficient, nor can what is efficient be unfair: justice and efficiency are simply two sides of the same coin.**

these ethical principles gives rise to a "dynamic efficiency" understood as a tendency toward coordination in the processes of social interaction. Therefore, we can conclude that *from the dynamic point of view, efficiency is not compatible with different frameworks of equity or justice, but rather it emerges from only one of them.*

Hence, the conflict between efficiency and justice is false and erroneous. What is just cannot be inefficient, nor can what is efficient be unjust; for from the perspective of a dynamic analysis, justice and efficiency are simply two sides of the same coin, which also confirms the integrated and coherent order that exists in the social realm. The supposed opposition between the two dimensions springs from the erroneous mindset of static efficiency developed by those in the neoclassical paradigm of so-called "welfare economics" and also from the erroneous idea of equity or "social justice," according to which, the results of the social process can be judged independently of the behavior of the individuals who have participated in it.

## VI. CRITICISM OF THE CONCEPT OF "SOCIAL" JUSTICE

The theoretical developments in welfare economics, based on the static criterion of Pareto efficiency, emerged with the vain illusion of avoiding any explicit entrance into the field of ethics, and they have ended up making it impossible to perceive the severe problems for justice and the dynamic inefficiency that arise when, to a greater or a lesser extent, institutional coercion is applied to the market process. In fact, the view of the economy as a process which results from the free action of human beings subject to certain moral principles not only permits us to adequately redefine efficiency in dynamic terms, but also throws quite a bit of light on the standard of justice that must prevail in social relationships.

This standard rests on traditional moral principles, which permit us to judge individual behaviors as just or unjust according to the abstract, general legal guidelines that make up substantive law and basically regulate the right to own property, the right which enables human beings to take ownership of all the fruits of their own innate entrepreneurial creativity.

Respect for life, peacefully-acquired ownership, compliance with promises and contracts, individual responsibility, etc. are all patterned behaviors which have emerged in an evolutionary manner throughout a very lengthy period of time and which establish a framework within which human beings can freely exercise their creative capacity by coordinating social maladjustments and furthering the advancement of civilization.



Moreover, even though these principles are of evolutionary origin (Hayek), they are an essential manifestation of human nature and, as Rothbard asserts, they can and must be subjected to rigorous rational analysis of their coherence, to exegesis, and to the elimination of logical defects.

From this point of view, it becomes clear that alternative standards of their justice that do not

- a) From an evolutionary standpoint, to the extent that the prescriptions which follow from the idea of "social justice" go against the traditional principles of property rights which have formed through custom and have made modern civilization possible.
- b) From a theoretical standpoint, as it is impossible to organize society based on the principle of "social justice," since the systematic

**“Social justice” only makes sense in a phantasmagorical static world in which goods and services are a given and the only problem that can arise is how to distribute them.**

coincide with the one indicated are fundamentally immoral. Particularly reprehensible among them is the concept of "social justice," which attempts to judge as just or unjust the specific *results* of the social process in certain historical moments, *regardless of whether the behavior of the participants has adhered to abstract, general legal and moral guidelines.*

"Social justice" only makes sense in a phantasmagoric, static world in which goods and services are given and the only possible problem is how to distribute them. However, in the real world, in which the processes of production and distribution take place simultaneously as a result of entrepreneurial drive and the creative capacity that comes with it, the concept of "social justice" makes no analytical sense and can be considered fundamentally immoral in three different ways:

- c) From an ethical standpoint, to the extent that there is a violation of the moral principle that every human being has a *natural right* to the fruits of his or her own entrepreneurial creativity. It is to be expected that as citizens become aware of the grave errors and essential immorality that derive from the spurious concept of "social justice," the institutional state coercion this concept is considered to justify will gradually disappear, just as in the past such hateful institutions as the murder of newborns or slavery disappeared.<sup>10</sup>

<sup>10</sup> For the standard criticism of the concept of social justice, see Friedrich A. Hayek, *The Mirage of Social Justice*, vol. 2 of *Law, Legislation, and Liberty*, University of Chicago Press, 1978.

## VII. THE RIGHT TO PRIVATE PROPERTY AS AN ESSENTIAL ETHICAL PRINCIPLE IN A MARKET ECONOMY

Most of the ideas of distributive justice which have prevailed up to now and which have comprised the "ethical foundation" of important political and social movements (of a "socialist" or "social-democratic" nature) spring from or rest on an erroneous, static view of economics. In fact, the paradigm of economic theory predominant until now was based, to a greater or a lesser extent, on the view that information is objective and given (either in certain or probabilistic terms), and thus people thought it possible to carry out a cost-benefit analysis based on it. This being the case, it seemed logical that the question of utility maximization was totally independent from the question of morality, and that the two could be combined in different proportions. Furthermore, the static view which until now has predominated led inexorably to the assumption that in a sense, resources were known and given, and hence the economic problem of their distribution was considered different and independent from that of their production. Indeed, if resources are given, it is of extreme importance how both the means of production and the result of the different production processes are distributed among people.

This entire approach has been demolished by the new dynamic conception of market processes and the new economic theory of entrepreneurship.<sup>11</sup> This theory has demonstrated that each human being possesses an innate creative capacity that enables him to perceive and discover the profit opportunities that

emerge in his environment and to act accordingly to take advantage of them. Hence, entrepreneurship consists of the typically human ability to constantly create and discover new ends and means. From this perspective, resources are not given, but rather both the ends and the means are continually conceived *ex novo* by entrepreneurs, who always wish to meet new objectives that they *discover* to have a higher value. And if the ends, means, and resources are not given, but instead are constantly being created from nothing via the entrepreneurial action of human beings, then clearly the essential problem in ethics is not how to fairly distribute "what exists," but rather how to foster *creativity* in the manner most suited to human nature.

Therefore, in the field of social ethics, we must conclude that the view of human beings as creative actors makes it inevitable that we accept as an axiom the ethical principle that "every human being has the natural right to the fruits of his or her own entrepreneurial creativity." This is so not only because if it were not, these fruits would not act as an incentive capable of inspiring humans' creative, entrepreneurial insight, but also because it is a universal principle and can be applied to all people in all conceivable circumstances.

Moreover, the above ethical principle, which provides the ethical foundation for every market economy, also has other significant, characteristic advantages. To begin with, we could note that it is quite intuitively attractive to everyone: it seems obvious that if someone creates some-

<sup>11</sup> Jesús Huerta de Soto, *Socialism, Economic Calculation, and Entrepreneurship*, op. cit.

thing from nothing, he or she has the right to appropriate it, since it harms no one. (What was created did not exist beforehand, and thus its creation does not hurt anyone and, at the very least, benefits the creative actor, if not many other human beings as well.) Furthermore, this ethical principle is universally valid (Roth-

as any system of institutional aggression used by the state against the free exercise of human action or entrepreneurship in any social sphere. Indeed, coercion against the actor prevents him from developing what is by nature most his own, i.e. his innate capacity to create and conceive of new ends and means and to act accor-

**The most just society will be the one that most vigorously promotes human entrepreneurial creativity, for which it is essential that each individual be assured of being able to reap the rewards of their creativity.**

bard) and closely related to the principle of Roman law concerning the original appropriation of resources that do not belong to anyone (*occupatio rei nullius*).

If we see the economy as a dynamic entrepreneurial process, the ethical principle which must govern social interactions rests on the view that the most just society is that which most energetically encourages the entrepreneurial creativity of all the people that comprise it. To achieve this goal, it is essential that all of these people have the *a priori* security that they will be able to appropriate the fruits of their own entrepreneurial creativity (which did not exist in society before they were discovered or created by each actor), and that these fruits will not be totally or partially expropriated by anyone, and least of all by government officials.

Finally, the analysis put forward reveals the immoral nature of interventionism, understood

dingly to achieve them. To the extent that state coercion prevents entrepreneurial human action, people's creative capacity will be limited, and the information or knowledge necessary to drive and coordinate society will not emerge or be discovered.

Precisely for this reason, socialism is an intellectual error, since it keeps people from generating the information the governing body needs to coordinate society via coercive commands. Moreover, our analysis has the potential to show that the socialist, interventionist system is immoral, as it is based on the forceful thwarting of human beings' appropriation of the results of their own entrepreneurial creativity. In this way, socialism reveals itself not only as theoretically erroneous and economically impossible (i.e. *inefficient*), but also, and simultaneously, as a fundamentally *immoral* system, since it goes against humans' most intimate nature and stops them from

realizing their potential and freely appropriating the fruits of their own entrepreneurial creativity.

This creative, entrepreneurial drive also manifests itself in the sphere of assistance to those in need and in the prior search for and systematic detection of situations in which

neighbors (near and far) in need, and thus intervention stifles the natural aspirations for voluntary solidarity and collaboration which are so important to most people.<sup>12</sup>

The dynamic view of the market as a spontaneous order which emerges from human interaction driven by entrepreneurship makes it

**Socialism is fundamentally immoral, as it goes against the most intimate nature of human beings and prevents them from freely realizing and appropriating the results of their own entrepreneurial creativity.**

others need help. Hence, state coercion, through the mechanisms of the so-called welfare state, neutralizes and to a great extent, blocks the entrepreneurial search for situations of urgent human need and the assistance to

easier to take an ethical position and reinforces the idea that free markets fueled by entrepreneurship are not only the most efficient from a dynamic standpoint, but also they constitute the only just economic system.

12 "By intervening directly and depriving society of its responsibility, the Social Assistance State leads to a loss of human energies and an inordinate increase of public agencies, which are dominated more by bureaucratic ways of thinking than by concern for serving their clients, and which are accompanied by an enormous increase in spending. In fact, it would appear that needs are best understood and satisfied by people who are closest to them and who act as neighbours to those in need." Pope John Paul II, *Centesimus Annus: on the hundredth anniversary of Rerum Novarum*, [http://www.vatican.va/edocs/ENG0214/\\_\\_\\_P7.HTM](http://www.vatican.va/edocs/ENG0214/___P7.HTM), chap. V, section 48, [accessed November 19, 2013].

## VIII. CONCLUSION: THE SOCIAL DOCTRINE OF THE CATHOLIC CHURCH AND THE AUSTRIAN SCHOOL OF ECONOMICS



Perhaps one of the most significant aspects of the most recent formulations of Catholic social doctrine in favor of the market economy lies in the great influence exerted on them by the views of the Austrian school of economics, specifically those of Hayek and Kirzner, an agnostic, non-practicing Catholic and a deeply religious, practicing Jew respectively. Indeed, Michael Novak, the Catholic thinker, surprised the world when he made public the lengthy personal conversation Pope John Paul II and Hayek had before the death of the latter.<sup>13</sup> And later, in his noteworthy book, *The Catholic Ethic and the Spirit of Capitalism*,<sup>14</sup> Novak pointed out the close parallel between the idea of creative human action developed by Pope John Paul II in his doctoral thesis entitled *The Acting Person*<sup>15</sup> and the concept of entrepreneurship defined by Kirzner.<sup>16</sup>

Pope John Paul II refined this concept in his encyclical, *Centesimus Annus*, where he expressly identifies the decisive factor in society as entrepreneurship or creative human action, or as he states in his own words, "...man himself, that is, his knowledge..." in its two variants, scientific

**John Paul II's conception of economic science is a significant qualitative leap forward, which has largely rendered the old social doctrine of the Catholic Church obsolete.**

knowledge and practical knowledge, which he defines as that necessary to "...perceive the needs of others and to satisfy them." According to John Paul II, this knowledge permits people "...to express their creativity and develop their potential," and also to enter "...the network of knowledge and intercommunication..." which constitutes the market and society. Hence, from the point of view of John Paul II, "...the role of disciplined and creative human work and, as an essential part of that work, initiative and entrepreneurial ability becomes increasingly evident and decisive."<sup>17</sup>

13 "During the last months of his life, Hayek had the opportunity for a long conversation with Pope John Paul II. There are signs of Hayek's influence in certain portions of the Pope's encyclical *Centesimus Annus*. In sections 31 and 32 in particular, *Centesimus Annus* employs unmistakably Hayekian insights." Michael Novak, "Two Moral Ideas for Business" (The Hayek Memorial Lecture, June 22, 1992, London, England), *Economic Affairs*, September-October 1993, p. 7.

14 Michael Novak, *The Catholic Ethic and the Spirit of Capitalism*, The Free Press, Macmillan International, New York, 1993.

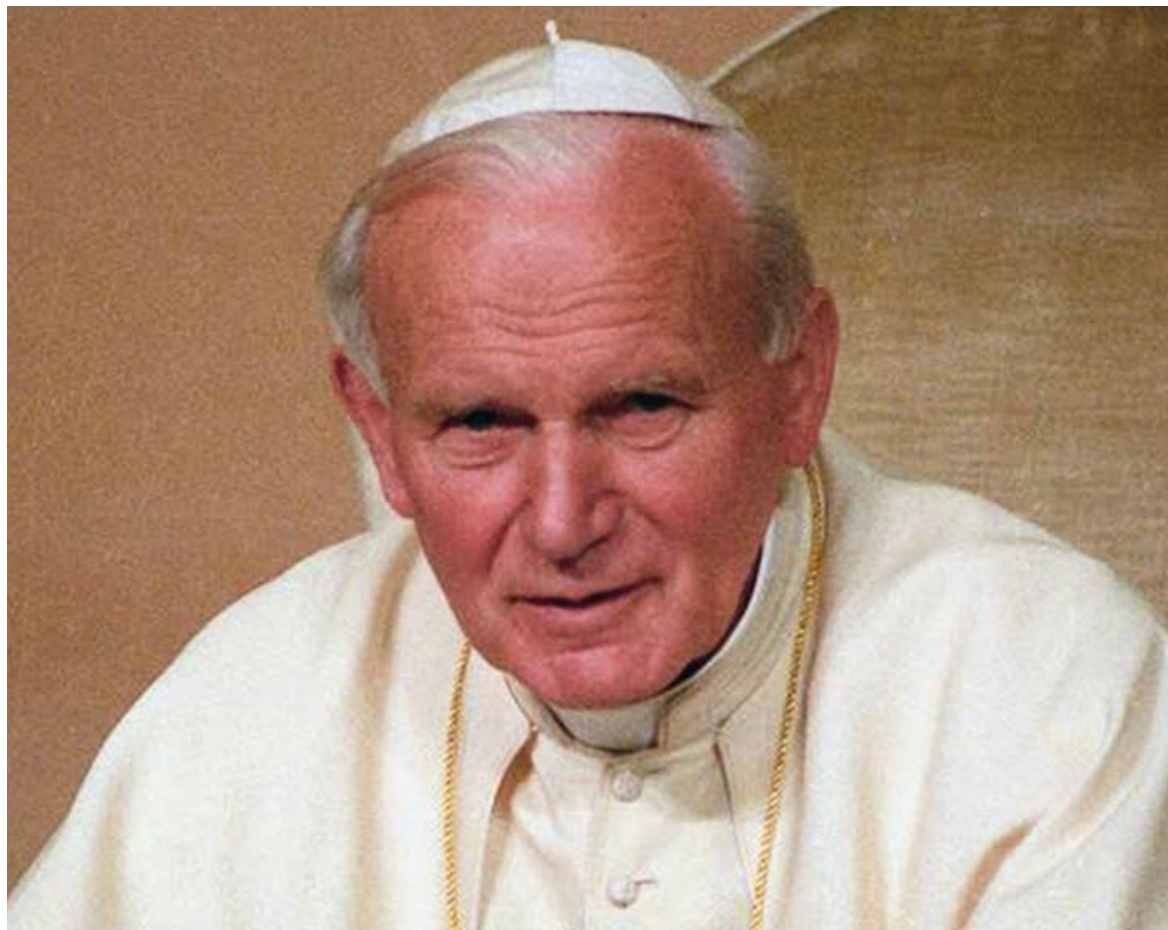
15 See Karol Wojtyla, *The Acting Person*, Springer, 1979, and Michael Novak, *The Catholic Ethic and the Spirit of Capitalism*, op. cit., p. 117.

16 "Israel Kirzner defines enterprise as an act of discovery, an act of discerning either a new product or service to be supplied for the utility of others, or a new way of providing the same. The Pope sees creativity at work in such acts of discovery and discernment. Like religious freedom, economic initiative also flows from the 'creative subjectivity' of the human person. This line of thought led the Pope to discern the role of enterprise in economic activity." Michael Novak, *The Catholic Ethic and the Spirit of Capitalism*, op. cit., p. 128.

17 Pope John Paul II, *Centesimus Annus*, [http://www.vatican.va/holy\\_father/john\\_paul\\_ii/encyclicals/documents/hf\\_jp-ii\\_enc\\_01051991\\_centesimus-annus\\_en.html](http://www.vatican.va/holy_father/john_paul_ii/encyclicals/documents/hf_jp-ii_enc_01051991_centesimus-annus_en.html), chap. IV, sections 31-33, [accessed November 20, 2013].

Without a doubt, the encyclical *Centesimus Annus* reveals the dramatic modernization in its writer's view of economic science and a great qualitative leap forward in a scientific sense, a leap which left long-standing Catholic social doctrine largely outdated, and which surpassed even substantial sectors of economic science, which even now remain anchored to the mechanism of the neoclassical-Walrasian paradigm, and which have

not managed to introduce in their "models" the fundamentally creative and dynamic nature of entrepreneurship. Thus, for the first time in history, and due to the positive influence of the Austrian school of economics, the social doctrine of the Catholic Church has gone beyond the dominant paradigm of economic science itself, which until now has ignored human creativity and remains anchored to a static view of the market and society.



#### ILLUSTRATION AND PHOTOGRAPH CREDITS

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The publisher of *AVANCE de la Libertad* magazine and the supplement you are holding is the Foundation for the Advancement of Liberty (Fundalib), based in Madrid. Since 2015, the Foundation has been working in Spain and internationally for the cause of economic and personal freedom for all human beings. Fundalib is an entity associated with the prestigious Atlas Network, based in Washington, which brings together some 500 pro-freedom think tanks in a hundred countries. It is also a member of European networks such as Epicenter and ELF. The Foundation researches different aspects of freedom in various areas. In particular, it periodically compiles several national and international indices on the state of freedom, including the Regional Tax Competitiveness Index (IACF) and the Economic Freedom Index for Spain's Cities (ILECE). The IACF was one of the six finalists for the prestigious Templeton Prize in 2024, and the ILECE was awarded the Europe Liberty Award in 2020. Fundalib has won several other awards and distinctions, notably first place in the international think tank competition organized by the European Resource Bank in Chişinău (Moldova) in 2019. The two documentaries produced by the Foundation have been included in the official selection of festivals in the United States and South Korea,

and one of them won an international specialized festival (New York, 2023). The Foundation supports various civil society activist organizations and is a top publisher of books on the ideas of freedom. The Foundation's publications are available on the fundalib.org website, including the series of Brief Reports on Current Issues. Since June 2020, the Foundation has been publishing the aforementioned monthly magazine, which provides readers with brief opinion pieces aimed at spreading ideas throughout society. With a classical liberal and libertarian orientation, the magazine covers the entire ideological spectrum from classical liberalism to agorist and ancap positions, as well as objectivist philosophy. Fundalib thus seeks to promote the various families of individualism, aware of the fearsome resurgence of various forms of collectivism in our time, generally through the various populisms that are regaining political ground.

Since 2021, this magazine of short articles has been complemented by the supplement *Cuadernos para el Avance de la Libertad*. What you are looking at is an English edition of one of those *Cuadernos (Papers)*. On page 2 of this Paper, readers will find the code and web address to subscribe to the magazine, and on the website there are several other options for joining and supporting Fundalib.



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