



Free Market and Pope Francis

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Abstract

During his pontificate Pope Francis has remarked on several economic issues in many proclamations and documents. Specifically, Pope Francis holds free market accountable for world's poverty and inequality in distribution of income. The objectives of this article are the following: (1) To highlight the founding principles of free market, (2) to focus on Pope's insistence to relate several economic problems in the world to free market, (3) to provide factual and empirical evidence that neutralizes Pope Francis's account of dark side of the free market principles.

Data sources are World Bank, United Nations Development Program and Heritage Foundation. Correlation and scattered diagram techniques are used to measure the relationship between different variables.

Empirical results relating poverty, human development, innovative entrepreneurship and income inequality to free market show the following; (a) Global poverty rate measured in poverty gap and headcount (% of population) have declined since 1990 through 2019. (b) Human Development Index (HDI) estimated by United Nations Development Program (UNDP) and Economic Freedom Index (EFI) estimated by the Heritage Foundation are highly positively correlated. (c) Global Innovation Index (GII) estimated by World Intellectual Property (WIPO) and Economic Freedom Index are highly positively related. (d) Gini Coefficient, a measure of the degree of income inequality estimated by the World Bank, and economic freedom index are insignificantly negatively correlated.

Keywords: Pope Francis, Free market, Environment, Vaccines, Modern economics

Introduction

Pope Francis continues to vilify free market for extreme poverty and income inequality in the world even when empirical evidence shows otherwise. In Fratelli Tutti¹ he brings up the latest pandemic caused by COVID-19 as a case in point that free market is not capable to resolve social and economic problems. Once the pandemic ends, Pope Francis continues, "Our worst response would be to plunge even more deeply into feverish consumerism and new forms of egotistic self-preservation."

Fortunately, it is the free market that is defeating COVID-19 pandemic. In a recent The Wall Street Journal interview (March 20, 2021), Johnson and Johnson CEO, Alex Gorsky said that the threat of COVID-19 is diminishing because of the vaccines developed by pharmaceutical companies operating in free market environment. Johnson and Johnson is a pharmaceutical company as well as the maker of medical devices and other consumer goods such as Bands-Aids, and Tylenol. Their FDA-approved single shot vaccine is being used in the U.S. and other countries against COVID-19 virus along with Pfizer and Moderna's vaccines. Mr. Gorsky noted, "We would never be in the position where we are today if we had not invested billions of dollars over decades so that we could respond." He continues, "We fundamentally believe that having a market-based, innovative-based biopharmaceutical as well as medical technology environment is critical long term to produce the best overall outcomes for health care." These achievement-based pronouncements are the epitome of the free market contributions to the safety and cure of ills that have plagued the humanity worldwide. Why does the free market drive initiatives, innovation and economic wellbeing of individuals and of nations?

Economics of Free Market

Modern economics is driven by three basic principles: scarcity, cost/ benefit and incentive principle. From time immemorial, human beings have been producers and consumers of goods and services. To produce goods and services we need economic resources: labor, capital, raw materials which are scarce or limited in supply relative to

their demand. However, we have unlimited wants, and our desire to transform these resources into finished goods and services to satisfy our various wants are unlimited. The asymmetry between limited resources and unlimited wants lead us to choose from various wants weighing their costs and benefits. When benefit of a product exceeds our spending, we are incentivized to continue to use the product. Similarly, as producers, when the rate of return or profitability exceed cost of production, we take initiatives to increase production and innovation. These principles apply to consumers, firms, industries and the entire economy.

The presence of asymmetry between limited resources and unlimited uses of resources forces us to decide what goods and services we are going to produce to satisfy our wants and how we will make them. In other words, how we will manage our resources to sustain our lives. Two systems have evolved overtime to guide consumers and producers of goods and services. In one system, it is consumers and producers who jointly decide without any coercion what goods and services are to be consumed and produced. This system is the free market system where producers use resources to produce goods and services to be purchased by consumers to satisfy their wants. The consumers want to get the most from spending their limited income by purchasing the products they prefer most. Their preferences are signaled through prices they are willing to pay. On the other hand, producers' goal is to earn profit to support themselves, to innovate and grow their businesses which drive them to produce what consumers prefer. Profit enhancement goal propel the producers to produce and market the products efficiently. Exchange of goods and services between consumers and producers is mutually beneficial. Alternatively, an economic system where the government dictates the state-owned industry employees which goods and services are to be produced using national resources. Consumers have no opportunities to indicate their choice of goods and services. They will purchase what the state-owned monopoly will produce and sell in the market at a dictated price by the central government. This economic system is known as socialism which prevailed in former Soviet Union until 1992, and is still continuing in North Korea, Cuba, Venezuela resulting in starvation of their citizens and economic disasters.

Founding Fathers of Free Market

Like Hayek and Mises, Friedmanⁱⁱ believed that only the free market could organize and distribute resources efficiently and without coercion. The free market, with its unique features such as price competition (guided by rule of law), quality competition, consumers' incentives to get most from their spending and producers' incentives to use resources more efficiently to earn profit, is a better system to enhance public wellbeing. The free market economic system also guarantees ownership of private property to enhance our private and social prosperity without adversely affecting others. Friedman also noted that the free market may not be the perfect solution but emphasized that it is the most workable alternative known to us today to organize our resources to be productive and creative. Hayek also struck a similar chord when he said,

“Our freedom of choice in a competitive society rests on the fact that, if one person refuses to satisfy our wishes, we can turn to another. But if we face a monopolist we are at his absolute mercy. And an authority directing the whole economic system of the country would be the most powerful monopolist conceivable ..., it would have complete power to decide what we are to be given and on what terms. It would not only decide what commodities and services were to be available and in what quantities; it would be able to direct their distributions between persons to any degree they liked.” Friedrich Hayekⁱⁱⁱ, [The Road to Serfdom](#).

Hayek also emphasized repeatedly in volumes of journal articles and books that the unique advantage of the market is that it allows millions and millions of consumers and producers to respond individually to freely determined prices in consumer and producer goods and services markets. These spontaneous responses to advance their economic wellbeing in a free market environment cannot be duplicated by a government bureaucratic central plan. Hayek very pointedly said, “The more the state “plans” the more difficult planning becomes for individual.” We are witnessing now in China and Russia as predicted by Hayek and Friedman that planning leads to dictatorship, enabling it to form a coercive political ideology suppressing the economic freedom of workers. Planning and dictatorship in some countries like Venezuela, North Korea, and Cuba have deprived people of basic food and health care.

Theoretical foundations and economic models of the free market were established beginning with Adam Smith in his book, *Wealth of Nations* in 1776, and subsequently for the last 250 years by authors like Mises, Hayek and Friedman. Volumes of peer reviewed journal articles using empirical and case study approaches have established the superiority of free market over state planning in managing national resources to produce goods and services for consumers.

Pope's Criticism of Free Market

Over the years different Popes approached and analyzed world socio-economic problems differently and suggested remedies they thought right. Maciej Zieba in *Papal Economics* (2013) contends that Popes Leo XIII, Pius XI, Saint John Paul II followed tradition of Thomas Aquinas and Antoninus of Florence in taking “wholistic” approach that offers a realistic picture of social and economic situations. They diagnosed the causes of the problems such as global poverty, and suggested ways to eliminate them. Pope Paul VI emulated the tradition of John Chrysostom^{iv} and Bernard of Clairvaux^v in taking a “pastoral” approach to socio-economic issues. This perspective focuses on exposing socio-economic problems that needs to be redressed, especially identifying injustices that prevail. Pope Francis seems to take the second approach.

In his first encyclical, “*Ludato Si*” (Praise Be)^{vi}, 2015, Pope Francis labelled free market economic system as a “structural perverse” system where rich exploits the poor. “The foreign debt of poor countries has become a way of controlling them,” and “developed countries ought to help pay this debt by significantly limiting their [own] consumption of non-renewable energy”

He also says, “...this is a system where businesses put profit ahead of people”. Pope Francis called the unfettered pursuit of money “the dung of the devil”. In a document released by the Vatican in May 14, 2018, Pope Francis said, “The objective of mere profit easily creates a perverse and selective logic that often favors the advancement of business leaders who are capable, but greedy and unscrupulous.”

On economic growth and increase in global wealth, Pope Francis faults free market as the growth has also led to higher poverty and higher income inequality. As we see later that income inequality is unrelated to economic freedom, However, the Pope says, “The world's wealth is growing in absolute terms, but inequalities are on the increase. In rich countries, new sectors of society are succumbing to poverty and new forms of poverty are emerging. In poorer areas some groups enjoy a sort of “superdevelopment” of a wasteful and consumerist kind which forms an unacceptable contrast with the ongoing situations of dehumanizing deprivation.”^{vii}

The Vatican remedy is heightened morality and government regulation. In response, the *Chicago Tribune* (May 15, 2018) wrote, “The nature of free market capitalism, based on risk and reward, makes it imperfect: Opportunity doesn't guarantee success. Competition creates winners and losers. Also true: while many business leaders are ethical, some are not. What is also certain that free market capitalism incentivizes people to work, creates wealth and improves lives. The United Nations found in 2015 that the number of people living in extreme poverty had plunged by more than half, from 1.9 billion to 836 million since 1990—the era in which the Iron Curtain fell, capitalism invaded Eastern Europe, and China embraced free market principles.”

In the encyclicals during his pontificate that include economic and social issues, Pope Francis depicts a deep distrust for the economic system that shapes the economic activities in most of the countries. He thinks production of goods and services by corporations are strictly driven by profit motive at the expense of workers benefits and welfare. As I have indicated earlier, that exchange of goods and services between the producers and consumers in a free market system is not perfect, neither is it in any system. However, eclectic experts on business and economics do agree on the following regarding free market: consumers have choices in most markets, and supply and demand determine prices (and ultimately, profits) most of the time . The experts' consensus is incompatible with Francis's view of profit as almost necessarily coming at the expense of others, Pope Francis sees the flow of goods and services in a competitive economy is influenced by “unbridled neoliberal ideology” that nurture an unjust system.

Case Study: Market versus Plan^{viii}

More recently, in a 2021 article, “Economic Well-Being Under Plan versus Market: The Case of Estonia And Finland” by Anna Bocharnikova provides us with an excellent empirical evidence of how a free market improves economic well-being of a country compared to centralized planning system. Her case study involves two countries: Estonia and Finland. Historically, these two countries shared common political, cultural and economic characteristics except for the period of 1944-1991. During this time Estonia lost her political and economic freedom to Soviet Union. Her economic activities were subject to the command of the planning bureaucrats of the Soviet Union. However, Finland continued her democratic institution along with economic activities operating under free market. After the collapse of the Soviet Union in 1991, Estonia became democratic, and her economic and political institutions reverted to pre-1944, similar to Finland. To evaluate economic condition of population of Estonia during Soviet occupancy that bureaucratically directed production and other economic activities, Bockerniva used Purchasing Power of Wages (PPW) earned by the household in Estonia. PPW shows how far wages go to purchase minimum food, clothing and shelter. Using extensive data and statistical technique, Bockerniva found that in 1938 the purchasing power of wages in Estonia was 4 percent lower than in Finland. However, it was 43 percent lower in 1988 when Estonia was under Soviet Union. After the fall of Soviet Union in 1991, the gap had fallen to 17 percent. Ms. Bockerniva concludes, “Consequently, as measured by purchasing power of wagers, well-being in Estonia and Finland was similar before Soviet occupation, widely diverged during Soviet rule, and converged after

Estonian independence, with transition from plan to market.”

In 2017, Jim Yong Kim, the World Bank President, noted, “The world had made a great progress in last quarter-century (1990-2015) in reducing extreme poverty--it was cut by stunning two-thirds. More than a billion people have lifted themselves out of extreme poverty. This is one of the greatest human achievements of our time, now we have the opportunity to end poverty in less than a generation.” From 1990 to 2018, the extreme poverty rate dropped an average of one percentage point per year – from 36 % to nearly 8.25%. In 2018, about 8.25% of people live on \$1.90 a day (2011 PPP) or less. Between 2015 and 2020, 15 countries managed to elevate 802.1 million people out of extreme poverty. By the end of 2019, according to Donna Barne and Divyanshi Wadhwa of World Bank, the poorest countries had greater access to water, electricity and toilet. Poverty and child mortality have fallen.^{ix}

Downward Trend of World Poverty

The World Bank Development Research Group uses poverty gap indicator to measure poverty by looking at household per capita income and consumption. The poverty gap is a ratio showing the average shortfall of the total population from the poverty line—the minimum level of income required to secure the basic necessities for survival. Current poverty line is \$1.90 per day (2011 PPP).

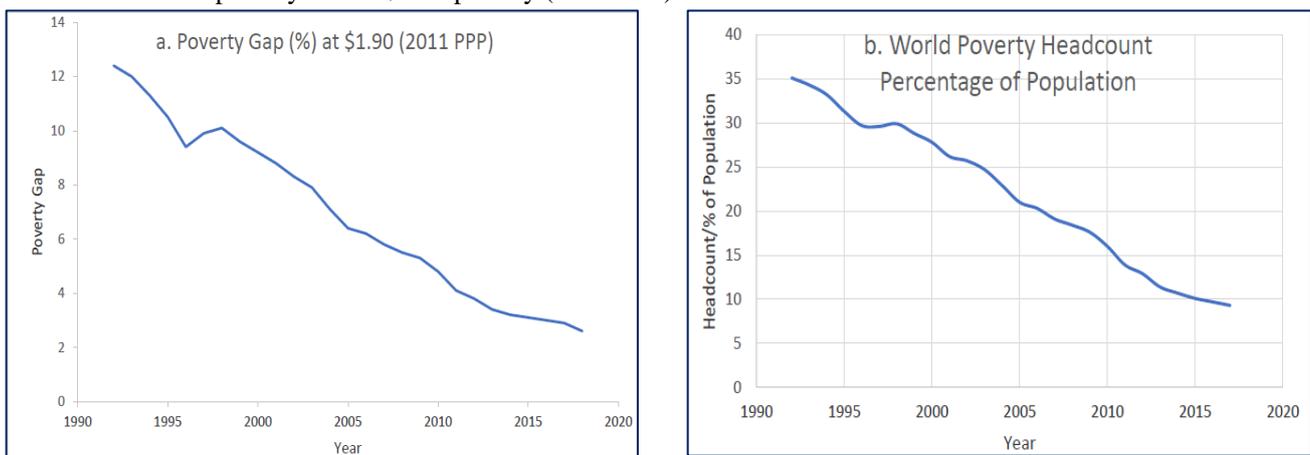


Figure 1 Global Poverty Gap and Percentage of Population Poor at the \$1.90 per Day (2011 PPP)

Data Source: World Bank, 2018-19; data.worldbank.org

Figure 1 (a) and (b) shows that global poverty measured in poverty gap and headcount (% of population) have declined since 1990 through 2019. A major difficulty in measuring world poverty is that the price levels (i.e., CPI) to purchase basic necessities differ across the countries. These cross-country differences in purchasing power are adjusted through purchasing power parity (PPP) adjustment. Figure 2 below shows a sustained increase of global population not living in extreme poverty between 1950 and 2015.

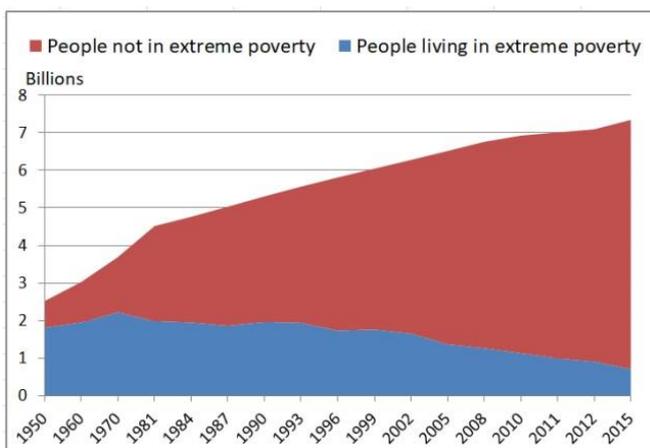


Figure 2: Decline in Global Poverty Level

With this poverty data, it might lead us to hypothesize that massive population growth since 1950 would worsen poverty. The Club of Rome in its best-selling 1972 report, *Limits to Growth*, alerted the world to the consequences of massive population explosion and health of the planet. More specifically, its computer simulation suggested that economic growth and standard of living could not continue to grow in the long run because of resource depletion from population explosion, leading to starvation and deaths by 2000. The major omission from this esoteric study was the exclusion of the dynamism of free market. Incentive principle embodied in free market drives entrepreneur to invent technology and new processes of production to deal with predicted or actual shortages of goods and services. It is innovative food technology that that enormously increased the yield of agricultural products

per acre beginning in the eighties. Today, new food technology has made many less developed countries food-surplus countries, including Bangladesh which Henry Kissinger, Secretary of State in the Nixon administration, labeled as international basket case in 1971. According to Fraser Institute, as the free market movement started taking hold in 1950, world population was 2.52 billion, more than 70 percent, 1.81 billion lived in extreme poverty

on less than U.S \$1.90 per day. Fraser Institute continued, “By 2015 (the most recent global poverty estimate), world population had exploded to 7.35 billion yet only 0.7 billion lived in poverty, less than 10 per cent which is still too many. Despite a three-fold increase in global population, the absolute number of people living in poverty dropped by more than 60 per cent”.

Free market remains the best way to combat extreme poverty. Nations in the top quartile of economic freedom had an average per-capita GDP of \$40,376 in 2017, compared to \$5,649 for bottom quartile nations (PPP constant 2011 US\$). In the most economically free countries, the average income of the poorest 10% was \$10,660, compared to \$1,345 in the least economically free countries 2017 (PPP constant 2011 US\$).^x

Economic Freedom and Innovation

Economic Freedom Index measures the degree to which the policies and institutions of countries are supportive of economic freedom. The Heritage Foundation in the U.S. and the Fraser Institute in Canada calculate an economic freedom score for about 180 countries. The features of the economic freedom index for these countries are personal choice, voluntary exchange, freedom to enter market and compete, and security of the person and privately-owned property. These features jointly represent free competitive market economy.

With the collapse of the Soviet Union in 1991, the Global average economic freedom (Heritage Foundation) score has been steadily increasing, reaching the highest, 61 (max =100) in 2019 in 24 years. In an article provocatively titled “Russia is great at invention, but stinks at innovation,” Loren Graham, MIT technology historian, elaborates upon the reasons behind this striking phenomenon: Why are Russians so good at the development of scientific and technological ideas and so miserable at gaining economic benefit from those ideas? Graham continues, the answer is not the lack of talent or ability of their scientists or engineers; it is their failure to develop a competitive society in which the brilliance of its citizens can find fulfillment and are rewarded for their tangible contribution to economic development. All the rulers of Russia, from Peter the Great to Vladimir Putin, have believed that the answer to the problems of modernization is technology itself, rather than the societal environment which promotes the development and commercialization of technology (Graham, 2015).

What kind of “societal environment” is best suited towards fostering innovation, harnessing creativity, and supporting wealth creation? The answer is almost self-evident: Graham states, “A democratic form of government, a free-market economy with investors seeking new technology, protection of intellectual property, control over corruption and crime, a legal system in which the accused has a chance of being declared innocent, a culture that tolerates criticism and allows independence, a willingness to learn from failure in order to try again — these are some of the intangible characteristics of an innovative society.”

In *Making Poor Nations Rich: Entrepreneurship and the Process of Economic Development*,^{xi} economist Benjamin Powell assembled a series of case studies highlighting countries that managed to lift themselves out of

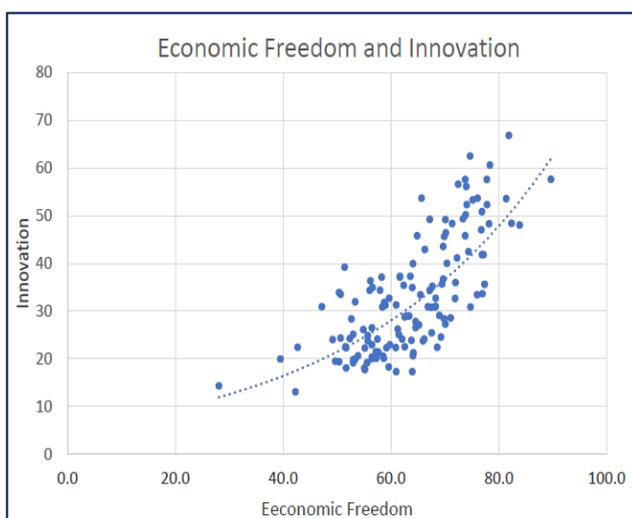


Figure 3: Relationship between Economic Freedom Index and Innovation Index

Sources: The Global Innovation Index (GII), 2018, has been jointly developed by Cornell University, Paris-based business school INSEAD and World Intellectual Property Organization (WIPO), and includes more than 80 indicators exploring a broad vision of innovation, including political environment, education, infrastructure and business sophistication. Index of Economic Freedom (2019), as discussed above, has been developed by Heritage Foundation, Washington, D.C.

poverty. Countries as varied as Hong Kong, Singapore, New Zealand, and Botswana experienced dramatic economic growth and prosperity when they followed and instituted the following: private property rights, the rule of law, low costs of market entry, and trade liberalization. All of these variables are critical components for an economically free environment that encourages entrepreneurship and wealth creation.

William J. Baumol in his book, *Free-Market Innovation Machine: Analyzing the Growth Miracle of Capitalism*, argues that free market provides a platform where systemic innovative activities are nurtured in firms. In a competitive environment, no firms want to fall behind others in new products and processes. Baumol also highlights a unique attribute of competitive firms: inter-firm collaboration in the creation and use of innovations. This mutual interdependence, according to Baumol, leads to unprecedented innovative initiatives and economic growth in free market economies across the globe.

Figure 3 provides empirical evidence to Baumol’s conjecture highlighting the centrality of free market: it provides conducive economic environment to innovative initiatives undertaken by entrepreneurs. Increased innovative activities unleash greater economic opportunity and generate virtuous cycle of

investment in new technology. The positive link between economic freedom and higher levels of innovation (Correlation:0.732, Figure 3) confirms dynamism of free market facilitating higher economic growth. Why do economists emphasize economic growth? Higher economic growth leads to higher per capita gross domestic product (GDP) used as a proxy for economic standard of living of different countries across the globe. In addition to higher economic standard of living reflected in higher per capita GDP, several studies (O'Hare 2013, Birchenall, 20015) have also shown high negative correlation between per capita GDP and child mortality rate^{xiii} and positive correlation with life expectancy.

Economic Freedom and Human Development

The United Nations Development Program (UNDP) has developed an instrument to measure overall quality of life known as Human Development Index (HDI). It attempts to capture socio- economic development of citizens of the countries in key dimensions of human development: a long and healthy life, being knowledgeable (Education), and having a decent standard of living. Health is measured by life expectancy at birth; education dimension is measured by mean years of schooling for adults aged 25 years and more, and expected years of schooling for children of school entering age; standard of living is measured by real per capita GDP. Because HDI includes these vital dimensions of socio-economic aspect of life, is economic freedom conducive to human development? As noted above, economic freedom, nurtured by rule of law, property rights, and open competitive markets, is of utmost importance for overall human development.

An empirical cross-national study of 88 countries by Cephass Naanwaab, 2018, shows that the countries with the least human development parameters have most to gain from economic freedom accommodated by free markets. Societies based on economic freedom are the ones with the strongest record of human development. The author used conditional quantile regression to measure differential impact of economic freedom across the distribution of Human Development. At the lower quantile of HDI distribution, economic freedom tends to have a pronounced effect on advancing human development and then levels off at the upper quantiles. Naanwaab concludes, "Policy implication of these findings is that countries that have the least human development have the most to gain from improvement in economic freedom."

To reinforce the relationship between economic freedom and human development, I used relatively more recent data on HDI and EFI and used a different source of data on EFI. I used correlation coefficient and scatter diagram techniques to estimate the relationship between these two variables. The results are shown below in figure 4.

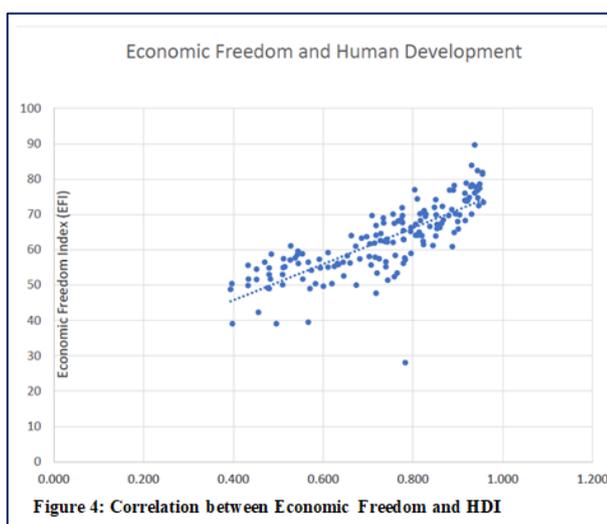


Figure 4 shows the correlation between economic freedom and human development. The correlation coefficient is 0.7925. There are two sources of economic freedom index (EFI) currently available, estimated and published by the Heritage Foundation and by the Fraser Institute. Both of these are widely used in economic and social researches. This paper used the index of the Heritage foundation, since it provides annual values for economic freedom, whereas Fraser Institute publishes the data for every 5 years. The scores on the Economic Freedom Index (EFI) have been retrieved from www.heritage.org/index. The Human Development Index (HDI) scores have been obtained through the annual official reports of the United Nations Development Program (UNDP). I used 2018 data for 158 countries for which data were available on these two variables. Composition of these two indexes have been presented earlier in the paper. The strong positive correlation

between human development and economic freedom is consistent with Naanwaab's (2018) study.

Analysis of free market and empirical findings as presented above relating to poverty, human development and innovation reinforce the following: during the last 50 years developing countries operating under the institutions of free market economic system have succeeded to a great extent in lifting the poorest of the poor out of their desperate and absolute poverty.

Unfortunately, Pope Francis ignores the fact that free market creates the environment for increased production of goods and services which leads to higher per capita income leading to eventual elimination of poverty.

Economic Freedom and Income Inequality

In his latest Encyclical, *Fratelli tutti* (2020) Pope Francis continues to downgrade the operation of free market, and without providing any concrete example asserts that economic freedom leads to economic inequality in distribution of income. There is no empirical evidence that more economic freedom leads to higher inequality. The World Bank uses a statistical equation, known as Gini coefficient, to measure the degree of income inequality of income of different countries of the world. The value of the coefficient is between 0 and 1. 0 indicates perfect equality and 1 represent perfect inequality in distribution of income. An increase in the Gini coefficient of a country suggests that income is becoming more unequally distributed. Using the World Bank data on Gini coefficient and Economic Freedom Index estimated by Heritage Foundation, I calculated the correlation coefficient and plotted a scatter graph of these two variables. The data were available for 166 countries for 2019. The results are presented below. Figure 5 shows that income inequality and economic freedom are hardly related. However, the correlation coefficient is negative, -0.104. The results suggest that higher economic freedom does not lead to higher income inequality as Pope Francis stipulates in his encyclicals, though the results are not statistically significant.

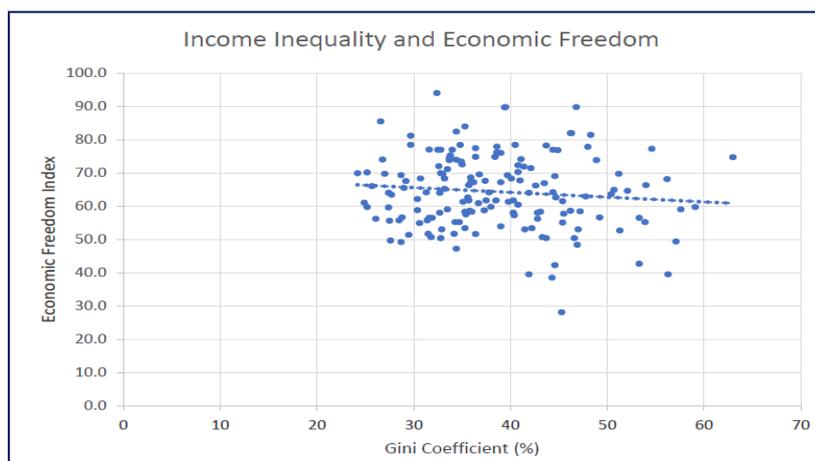


Figure 5: Economic Freedom and Income Inequality

Pope St. John Paul II in the 1991 encyclical, *Centesimos Annus*, identified the virtues of free market in capitalism saying, “If by capitalism is meant an economic system which recognizes the fundamental and positive role of business, the market, private property and the resulting responsibility for the means of production as well as free human creativity in the economic sector, then the answer is certainly in the affirmative (*role of free market*) even though it would perhaps be more appropriate to speak of a business economy, market economy, or simply free economy.” Free market as

analyzed earlier reflects these growth-oriented, competitive, wholistic economic development features that Pope St. John Paul emphasized in the encyclical. He recognized that economic life is significant in productive activities only when life itself has meaning. I indicated earlier that a free market is not a perfect economic system to organize resources of a country to produce goods and services. However, economic history for the last 100 year shows that it is much better economic system compared to state monopoly or socialism. The free market is the best among all imperfect systems. Societies thrive as economic freedom expands in producing and exchanging goods and services without government’s bureaucratic interferences.

Conclusion

In a free market economy where the rule of law is enforced, businesses do not grow and earn profit by exploiting consumers and others. Profits are not ‘devil’s dung’. A thriving economy is not a *zero-sum* game where a fixed amount of national income is divided among the citizens; the economy is dynamic where the amount to be distributed (the size of the pie) also expands leading to higher benefits for everyone.

The empirical evidence presented in this study shows that free market under the umbrella of overall economic freedom is critical in nurturing broad-based economic growth that reduces poverty and brings more opportunities for the greater number of people to work and be economically independent. Ensuring freer competitive markets for goods and services leads to more innovative activities that generate new goods and services for consumers and more productive and efficient methods of production for producers. Also notable is that this research finds that societies based on economic freedom are the ones with the strongest human development contrary to Pope Francis’ criticism of free market during his pontificate to date.

End Notes

ⁱ Pope Francis, *Fratelli Tutti* (October 3, 2020), Encyclical on Fraternity and Social Friendship. Francis believes that the response to COVID-19 emergencies in the world might be compromised due to the reliance of free market institutions in articulating medical and economic assistance to the needy.

ⁱⁱ Along with a solid list of publications, books and journal articles, in *Free to Choose*, Milton Friedman, a Nobel Prize-winning economist and his Wife Rose Friedman explain in simple terms how free markets work. They also show with historical evidence how different government project, regulations of businesses and government control, though well-intentioned leads to bloated bureaucracy, economic inefficiency and huge wastage of scarce resources.

ⁱⁱⁱ Hayek also described free market as “spontaneous order” where free enterprises are not unplanned or unregulated; however, planning and regulation take place from the coordination of decentralized knowledgeable consumers and producers, not government bureaucrats.

^{iv} John Chrysostom (A.D 347-407) was bishop of Constantinople. A renowned orator, he earned the epithet Chrysostom, or “golden-mouthed,” and is a Father of the Church. As preacher, he drew the enthusiastic approval both of his bishop and of the Christian laity. To John, rich people are responsible for hunger. He preached that gaining wealth necessarily means that some injustice has occurred in the process. The fact of uneven distribution of wealth is itself proof of abuse. John preached that withholding your wealth from the poor, regardless of what they might do with that money or how they became poor in the first place, is theft. “What St. John Chrysostom Can Teach us About Social Justice” by Taylor Standley, 2017

^v Love of money and its consequences becomes a dominant theme and a lens through which Bernard focuses his thought on the ultimately spiritually purposeless and dangerous pursuit of worldly gain. An uncontrollable love of riches serves only to heighten the desire of, rather than refreshing, the soul. Pleasures of the world, gluttony, lust and love of money are so unsatisfactory because transitory, insatiable. Acquisition of material wealth is a fraught process; fear of loss ends up fueling a terror in possession. All of this distracts the rich man from the proper object of devotion ‘he despises the glory which eye has not seen, not ear heard, not the heart of man conceived, which God has prepared for those who love him’. Gasper, Giles E. M. “Bernard of Clairvaux, material and spiritual order, and the economy of salvation.”, *Journal of medieval history*, 45 (5). 2019.

^{vi} Pope Francis’ Encyclical Letter *Laudato Si’* (May 24, 2015) is primarily concerned with a range of environmental issues, particularly climate change. However, as the Pope emphasizes, environmental issues are linked with the reduction of global extreme poverty, the need to care for the poor and the regulation of the operation of free market economic systems

^{vii} Harvard Business Review, “People Think Companies Can’t Do Good and Make Money. Can Companies Prove Them Wrong?” <https://hbr.org/2017/11/people-think-companies-cant-do-good-and-make-money-can-companies-prove-them-wrong>

^{viii} As I indicated earlier in the paper that throughout history given our limited resources, every economy has faced the challenge in deciding what to produce and for whom. In this regard many economists and social scientists have catalogued books and peer reviewed articles which have shown that market-based economies have improved the economic wellbeing of their citizens better than command-based economies. Why? It is the flexibility of market-based system that makes it possible to allocate our resources efficiently to produce goods and serviced that the societies prefer. Here are, for example, selected researches, in addition to the most recent article by Anna Bocharenikova:

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- c. Hall, Peter A., and David Soskice, eds., 2001, *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (New York: Oxford University Press).
- d. Rajan, Raghuram, and Luigi Zingales, 2003, *Saving Capitalism from the Capitalists: Unleashing the Power of Financial Markets to Create Wealth and Spread Opportunity* (New York: Crown Publishing Group).

^{ix} World Bank 2019 Review, *The Year in Data*. Barne and Wadhwa also said, “Extreme poverty is at the lowest level in recorded history but is expected to become increasingly concentrated in one region.” This region is sub-Saharan Africa. According to the World Bank 2019 data, “Sub-Saharan Africa was home to 27 of the world’s 28 poorest countries and had more extremely poor people than the rest of the world.”

^x Fraser Institute, *Economic Freedom of the World: 2018 Annual Report*.

^{xi} In traditional neo-classical growth theory, the role of labor, capital and technology is emphasized. In *Making Poor Nations Rich*, Powell shows that some nation in less developed part of the world have failed in sustained economic development despite the capital and technology transfers from the rich countries. Powell argues that oversight of the critical role of local entrepreneurship enhanced by institution of private property rights by development experts will keep improvement in standard of living illusory notwithstanding imported capital and technology.

^{xii} Child mortality rate is defined as the number of children born alive that die before their 5th birthday (WHO). Per capita GDP is measured in U.S. dollar (PPP 2011 \$).

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- a. *Lumen Fidei* (on the light of faith, 2013)
- b. *Evangelii Gaudium* (Apostolic Exhortation on the Joy of Gospel, 2013)
- c. *Laudats Si* (Apostolic Exhortation on Care for Our Common Home, 2015)
- d. *Fratelli Tutti* (Fraternity and Social Friendship, 2020)