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## *Centesimus Annus* and China's Market Economy: A Contextual Commentary

GAO Zhe

### *Abstract*

This article intends to interpret *Centesimus Annus*, the encyclical written by Pope John Paul II in 1991, in the context of China's reformation of the market economy since 1984.

The central theme of *Centesimus Annus* centres on human freedom in its totality. More concretely, the Pope interprets this by offering a deliberate explication of the relationship between market economy, democratic politics, and human freedom. While standing by *Rerum Novarum*'s assertion of the right to private property and market economy, John Paul II also recognizes the importance of a democratic system and its values in promoting human dignity and freedom. On the other hand, China's existing market economy could be described as crony capitalism, based on a combination of a market economy and an authoritarian political system. Reflecting on the viewpoints of the Pope expressed in the encyclical, this article maintains that the current reformation of the market economy in mainland China should focus on the area of the political system, that is, accelerating the establishment of a democratic system in order to increase people's freedom and fostering creativity in the market, and it should also help to realize the *telos* of the common good.

Key words: *Centesimus Annus*, John Paul II, China, market economy

On the hundredth anniversary of *Rerum Novarum* in 1991, Pope John Paul II promulgated his third social encyclical letter, *Centesimus Annus*. This Roman Catholic social document is strongly characterized by his comprehensive understanding of human freedom.<sup>1</sup> In other words, the Pope intends to illuminate not only liberty in an economic world, but also human freedom in its totality. Meanwhile, he is also fully aware of the significant roles which free economies as well as democratic regimes could play in bringing about such freedom, and in bringing both of them into the tradition of Catholic social thought.

#### THE IMPORTANCE AND CONDITIONS OF ECONOMIC FREEDOM

According to John Paul II, the freedom given in the economic and other areas of human life are founded on God's creation—human beings are made “in the image and likeness of God.” Being created by God, humans are endowed with dignity, which, at its utmost significance, means that they are capable of thinking and making choices as free subjects, just as God himself acts as a free subject. This is an essential theological meaning of human freedom for the Pope. More concretely, the anthropology in *Centesimus Annus* emphasizes in particular the role of human beings as creative agents or co-creators with God, as well as in human creativity and free initiative related to this role.<sup>2</sup> All of these, in the Pope's eyes, are integral for human dignity.

One of the most important areas where human creativity and initiative could be exercised is in the economic world. Therefore, a prominent theme in the encyclical letter is about how people could exercise their freedom in the economy to enjoy the earth and satisfy their needs.<sup>3</sup> In the economy, as in other areas of life, humans could act as

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<sup>1</sup> Richard John Neuhaus, “The Liberalism of John Paul II and the Technological Imperative,” in *Wealth, Poverty, and Human Destiny*, eds. Doug Bandow and David L. Schindler (Wilmington, DE: ISI, 2003), 294.

<sup>2</sup> John Paul II, *Centesimus Annus* (hereafter *CA*), in *Catholic Social Thought: The Documentary Heritage*, eds. David J. O'Brien and Thomas A. Shannon (Maryknoll, NY: Orbis, 2000), #13, 29, 37.

<sup>3</sup> *Ibid.*, #31, 43.

free subjects by using their creativity and initiative, so that they could fulfill the obligation to build the future as co-creators with God, which is also one of their rights. In other words, John Paul II explicitly affirms the use of human abilities in economic activities. At this point, the Pope departs from the so-called "Zero-Sum" theory and endorses the great potential for economic development and the growth of wealth;<sup>4</sup> he identifies the chief cause of these as neither land nor other fixed capital, but human capital and virtues. By "human capital," the Pope means human knowledge, organizing skill, and "his ability to perceive the needs of others and to satisfy them,"<sup>5</sup> and the virtues include enterprise, initiative, creativity, civic responsibility, and so forth. Thus for the Pope, human beings are the most indispensable factor for modern economic systems and the growth of wealth: "Indeed, besides the earth, humankind's principal resource is the person himself."<sup>6</sup>

As a Catholic social teaching document, *Centesimus Annus* inextricably sets out the question about our social system. What kind of a system did John Paul II approve in this document, on the basis of his views on the human condition? This question may best be answered from two different but related perspectives.

When it comes to balancing the virtues of socialism and capitalism, the Pope endorses the latter while at the same time denounces the former. In his view, socialism and communism are both built on a totally errant anthropology. The Pope says,

Socialism considers the individual person simply as an element, a molecule within the social organism, so that the good of the individual is completely subordinated to the functioning of the social-economic mechanism. Socialism likewise maintains that the good of the individual can be realized without reference to his exercises in the face of good or evil.<sup>7</sup>

Rather, he endorses the validity of private property and the free market, for the reason that private property is the most important factor to secure the free exercise of human creativity in an economy, and only in a

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<sup>4</sup> Robert A. Sirico, C.S.P., "Away from the Zero-Sum View," in *A New Worldly Order: John Paul II and Human Freedom*, ed. George Weigel (Washington, DC: Ethics and Public Policy Center, 1992), 155–157.

<sup>5</sup> *CA*, #32.

<sup>6</sup> *Ibid.*

<sup>7</sup> *Ibid.*, #13.

free market could human capital and virtues be exerted to the full extent to create wealth, for the purpose of meeting the needs of others and oneself.

While emphasizing the great importance of freedom, the Pope does not ignore the evil side of human nature, which he views as a crucial aspect when reflecting on human freedom: “Man tends towards good, but he is also capable of evil. He can transcend his immediate interest and still remain bound to it.”<sup>8</sup> However, the Pope decries those systems within which self-interest is violently suppressed at the expense of human freedom, as this largely “dries up the wellsprings of initiative and creativity.”<sup>9</sup> Rather, he maintains that social order does not “place in opposition personal interest and the interests of society as a whole, but rather seeks to bring them into a fruitful harmony.”<sup>10</sup> Here again, as we have seen, the Pope was making an obvious choice between socialism and capitalism.

Second, in spite of the fact that the Pope endorsed capitalism, and realized that communism as a political-economic system had collapsed in central and eastern Europe, he was still discontented with the current capitalist systems in the western world. Some kinds of capitalism, such as liberalism, tend to absolutize free economy by leaving the market on its own, without recognizing the indispensability of the cultural dimension for the society. This, the Pope argued, would let the society move toward the ideology of consumerism. He maintains that the kind of freedom based solely on free market is not true freedom, although people could pursue personal gratifications with it, as long as the rights of others are not infringed. Freedom cannot be an end in itself. Instead, human freedom must be bound to the truth.<sup>11</sup> In fact, many theologians, including Michael Novak, Stanley Hauerwas, and George Weigel, view this connection as one of the most prominent themes in this encyclical letter.<sup>12</sup>

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<sup>8</sup> Ibid, #25.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid, #41, 42, 46.

<sup>12</sup> See Michael Novak, *The Catholic Ethic and the Spirit of Capitalism* (New York: The Free Press, 1993), 93–99; Stanley M. Hauerwas, “In Praise of Centesimus Annus,” in *To Do Justice and Right upon the Earth: Papers from the Virgil Michel Symposium on Liturgy and Social Justice*, ed. Mary E. Stamps (Collegeville, MN: Liturgical Press, 1993), 63–83; George Weigel, *Soul of the World: Notes on the Future of Public Catholicism* (Washington, DC: Ethics and Public Policy Center, 1996), 125–150.

With such an understanding of freedom, John Paul II believes that some kinds of capitalism must be decried: it is “meant to be a system in which freedom in the economic sector is not circumscribed within a strong juridical framework which places it at the service of human freedom in its totality.”<sup>13</sup> Rather, capitalism as a political-economic system must accord with the common good, which, as a major theme of this document, stands as a core idea in modern Catholic social thought. More concretely, a good social system encourages people to create and initiate by virtue of knowledge and abilities; it also directs economic freedom to self-satisfaction as well as “the needs of his family, his community, his nation, and ultimately all humanity.”<sup>14</sup> This explains exactly why, as Rocco Buttiglione points out, for many places in the world, the word “capitalism” is still related to some negative meanings, such as injustice, exploitation, oppression, and monopoly.<sup>15</sup> For in these places, capitalism has departed from the common good, and become the tool which a few people employ to pursue self-satisfaction by exploiting and oppressing others.

What the Pope means by “capitalism” is a system in which the government/state is obligated to provide a strong juridical framework in order to secure economic equality in the market, to get rid of various kinds of monopoly, to maintain the balance of economy and create job opportunities.<sup>16</sup> At the same time, all activities directed by the state ought to conform to the principle of subsidiarity.<sup>17</sup> Moreover, a free economy entails a democratic political order. This includes the maintenance of an effective legal system, the protection of economic activities against abuse and manipulation of governmental power in service of individual interests, and the protection of essential human rights.<sup>18</sup> In fact, as Novak and Weigel both noted, what the Pope appreciates most is a tripartite capitalist system “in which democratic politics and a vibrant moral culture discipline and temper the free market.”<sup>19</sup>

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<sup>13</sup> CA, #42.

<sup>14</sup> Ibid, #43.

<sup>15</sup> Rocco Buttiglione, “The Free Economy and the Free Man,” in Weigel, *A New Worldly Order*, 65–70.

<sup>16</sup> CA, #8, 48.

<sup>17</sup> Ibid, #15.

<sup>18</sup> Ibid, #46, 47.

<sup>19</sup> Weigel, *Soul of the World*, 138.

## THE PROBLEM OF CHINA'S MARKET ECONOMY

As an excellent social teaching document, *Centesimus Annus* clearly approves a “preferential option for the poor,” which is also noticeable in the good news brought by Jesus Christ. According to this principle, the state should have special concern for the poor, that is, those who are excluded from social-economic development. In this aspect, some concrete economic, political, and cultural principles were also discussed by John Paul II, a fact which made it possible for the document to be applied to some contexts at that moment, such as Eastern Europe and Latin America. Such a contextual application is obviously advisable, because on the one hand, Eastern Europe was suffering from the profound transitions from socialism to capitalism, from authoritarianism to democracy, and from command economy to market economy, and on the other, obvious injustice still existed in the market economy in Latin America. What we wonder now is whether the thoughts in *Centesimus Annus* could be applicable to China, a country which has one sixth of the world population. As far as I am concerned, the answer is absolutely yes, and instead of plummeting, its applicability has been soaring in the past twenty years.

Looking back over the past twenty years, the most significant change in mainland China is the reformation of the market economy. As we know, this reformation began in the 1980s, and its direction was established in 1992.<sup>20</sup> At the same time, the authoritarian political system was reaffirmed by the Chinese Communist Party in the name of “socialism with Chinese characteristics,” a gesture which tried to put an end to the controversy within the Chinese Communist Party about whether China should reform her political system, and also cater to the striving for democracy among Chinese people at the end of the 1980s. Since then, the social system in mainland China has become a combination of market economy and an authoritarian regime. However, this market economy is not a free economy in its authentic sense. Rather, there are still remnants of the command economy, which are embodied mostly in the inappropriate interference from the government

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<sup>20</sup> Yang Jisheng 楊繼繩, *Zhongguo gaige niandai de zhengzhi douzheng* 中國改革年代的政治鬥爭 [Political Struggles during China's Reformation] (Hong Kong: Excellent Culture Press, 2000), 501–502.

power in the market and a flawed juridical framework. As for the political system, there has been hardly any endeavor for reformation within the Chinese Communist Party, and the appeal for democracy among intellectuals and common people has been oppressed by the authority. Although the authoritarian rule in contemporary China is not the same as the despotism of Mao Zedong or Stalin, there is still a sharp distinction between it and democracy. This state does not observe the separation of powers, and its political organization is dominated by a single-party monopoly which is neither expected to be replaced nor criticized by any other political parties. Just as political activities and ideology are dominated by the communist government, so too is the “free market” deeply entrenched by its power.

The blend of authoritarianism and market has profoundly remodeled Chinese society during the past twenty years and this is manifested most obviously in the formation of crony capitalism. In this form of capitalism, the ruling elites convert their political power into economic wealth and privilege. Amid such abuse of power, both equality and efficiency are missing in the market.<sup>21</sup> China's neo-Leninist regime has created a parasite state, which has in turn established a patronage system in order to secure the loyalty and privileges of its supporters. As a result of the marriage between the unlimited power and unregulated market, the problem of corruption has become increasingly acute in China. All of these facts indicate that only a small number of people who relate closely to the political power benefit from China's reformation of the market economy.

While the wealth of elites accumulates very quickly, the living standard of ordinary Chinese has not improved much. The current situation in China is identified by some Chinese public intellectuals as “two Chinas.” One of them is represented by less than 1 percent of Chinese households who control more than 60 percent of the country's wealth and most social resources. Those who belong to this group include local and senior government officials, and private-enterprise owners. The other China is related to most ordinary Chinese people who have little hope of succeeding in the market or acquiring the expertise and skills that are indispensable for striving in economic activities. The current social structure of China is described by sociologist

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<sup>21</sup> The gini coefficient of China has exceeded 0.5 in 2010. In 2002, this coefficient was 0.460. See Sun Liping 孫立平, *Shiheng: Duanlie shehui de luoji yunzuo* 失衡——斷裂社會的邏輯運作 [Unbalance: The Logic of Broken Society] (Beijing: Social Sciences Academic Press, 2004), 11.

Sun Liping as “broken,” referring to the extent at which inequality in China has arrived today: a large number of people have been marginalized in the social structure.<sup>22</sup> They are poor, low in education level and enjoy minimal welfare benefits. As a result, it is rather difficult to foster their creativity and initiative in the society and economy—being marginalized in the social structure amounts to being marginalized in the market.

Among the marginalized, ordinary peasants make up the most noticeable population.<sup>23</sup> As the poorest in the country, peasants have been suffering from systematic inequality since 1949, and their condition has become worse during the reformation of the market economy. Compared to urban residents, rural residents in China enjoy even fewer welfare benefits, and migration from the countryside to the cities is also circumscribed.<sup>24</sup> As a result of these disparities, Chinese peasants have much less opportunities to prosper in the market, lacking the relevant knowledge and abilities for playing the game. For them, the market is not a place where they could improve their living conditions through participating as creative economic agents, but rather a place where they have to endure being treated as instruments for the wealth creation of others.

Who, we must ask, should be responsible for this condition? Based on the perspectives in *Centesimus Annus*, the answer lies in the combination of market economy and authoritarian regime. When a free market is disciplined by democratic politics and an effective juridical framework, many more people could participate in the market with equal opportunities and satisfy themselves and others. On the contrary, a market characterized by manipulation and corruption of unchecked power, intentionally ambiguous laws and regulations, and an imbalance between rights and powers could only be directed to monopolies and grave income inequality. Collusions between political authority and economic interests have been rampant in the privatization process in China after the 1980s. During the transition from a command economy to a market economy, privatization provides insiders with a chance to acquire ownership of state-owned enterprises at an extremely low cost. By using political cronies as backup in this process, the officials of the Chinese Communist Party, their relatives and favored individuals and

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<sup>22</sup> Ibid, 5, 22.

<sup>23</sup> Yang Jisheng 楊繼繩, *Zhongguo shehui jieceng fenxi* 中國社會階層分析 [An Analysis of China Social Classes] (Hong Kong: Joint Publishing, 2000).

<sup>24</sup> Sun, *Shiheng*, 23.

groups have made a huge fortune at the expense of ordinary workers and peasants.

There is no doubt that currently in China neither capitalism nor the market economy is treated as means for achieving the common good. Rather, the market has become a convenient tool which elites manipulate to amass wealth and monopolize markets. It is true that the present Chinese economy is no longer socialism decried by John Paul II in *Centesimus Annus*, since private property has been created. However, the existing economic system is a far cry from a mature and healthy market economy, in which ordinary people enjoy economic freedom and gain respect and satisfaction for their creativity and initiative when using their God-given talents.

#### THE POPE'S ANTIDOTE

If we refer to the Pope's idea of a tripartite capitalist system in *Centesimus Annus* as a criterion, the crony capitalism endemic in China's reformation of the market economy should definitely be criticized and reformed. In fact, what John Paul II discussed in this encyclical has rightly anticipated the very direction in which China's market economy has been moving and its causes. Capitalism, in the Pope's opinion, must be a combination of market economy and democratic politics, for the reason that a free market cannot, and should not, operate by itself without an appropriate political system. He says,

Economic activity, especially the activity of a market economy, cannot be conducted in an institutional, juridical or political vacuum. . . . The absence of stability, together with the corruption of public officials and the spread of improper sources of growing rich and of easy profits deriving from illegal or purely speculative activities, constitutes one of the chief obstacles to development and to the economic order.<sup>25</sup>

Therefore, the state

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<sup>25</sup> *CA*, #48.

has the task of determining the juridical framework within which economic affairs are to be conducted, and thus of safeguarding the prerequisites of a free economy, which presumes a certain equality between the parties, such that one party would not be so powerful as practically to reduce the other to subservience.<sup>26</sup>

For Rocco Buttiglione, the Pope's view about the market as a social institution is explicit:

The market is not a natural state of affairs; it is a social institution. As such, it must be created and it must be defended; it may be enlarged and it may be restricted. . . . The market is a social institution that needs to be constituted and enhanced through an institutional framework.<sup>27</sup>

Meanwhile, the Pope's emphasis also rests on the range and pattern in which the state should intervene in economic activity. In his opinion, the main role of the state in economic activity should be to provide an institutional framework for the market so that everyone could participate in it equally, rather than directly entrenching itself in the economy, let alone playing in the most important economic sectors as a monopolist.<sup>28</sup>

As a hybrid economy, the crony capitalism in China has merely created a semi-closed market, where a minority controls most economic and social resources, resulting in unprecedentedly grave inequalities in income and wealth. In the light of *Centesimus Annus*, the genuine solution to this misshapen market in China is to reform the current political system and to establish a democratic regime. Only a democratic system, which ensures the elimination of unchecked political power, will make economic freedom possible. Only a properly constituted democratic political system will ensure the effective enforcement of laws and regulations rather than being impeded by corrupt government interference.

Besides, what China must pay special attention to in the reformation of the market economy is the peasant problem which we have discussed above. Wen Tiejun, one of the most influential agricultural

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<sup>26</sup> Ibid, #15.

<sup>27</sup> Rocco Buttiglione, "The Free Economy and the Free Man," in Weigel, *A New Worldly Order*, 67, 68.

<sup>28</sup> CA, #48.

economists in China, maintains that the foremost problem in China is, at its root, the peasant problem, which amounts especially to the problem of employment.<sup>29</sup> In fact, employment is nothing more than allocating human resources in a market. In 2003, at least 350 million Chinese peasants were surplus rural labor, that is, unemployed.<sup>30</sup> If this problem persists, it will risk not only economic development, but also social stability in China.

However, from another perspective, the huge amount of surplus labor in China could also be considered a great potential for economic and wealth growth. Here, we must recall the Pope's appreciation of human freedom and wisdom in economic activities. In his view, wealth creation today has more to do with human creativity and initiative than with land insofar as there are appropriate political and juridical systems unleashing that creativity and initiative.<sup>31</sup> Therefore, the peasant problem, by implication, presses for the establishment of a democratic system in China. Such a democratic state, in turn, would be obliged to create job opportunities for the surplus rural labor according to the principle of subsidiarity. In addition, those who live in more developed areas should assume more responsibilities for the development of the peasants. Improvement in the condition of peasants not only means extricating people from poverty, but also provides "a great opportunity for the moral, cultural and even economic growth of all humanity."<sup>32</sup> In the words of the Pope, "it will be necessary above all to abandon a mentality in which the poor—as individuals and as peoples—are considered a burden, as irksome intruders trying to consume what others have produced."<sup>33</sup> Rather, their potential wisdom and abilities should be respected; they ought to be seen as contributors to the common good.

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<sup>29</sup> Wen Tiejun 溫鐵軍, "Zhongguo de wenti genbenshang shi nongmin wenti" 中國的問題根本上是農民問題 [The Problem of China Is at Its Root the Peasant Problem], in *Sannong Zhongguo* 三農中國 [Three Dimensional Rural Issues in China], ed. Xu Yong 徐勇 (Wuhan: Hubei People's Publishing House, 2003), 1–6.

<sup>30</sup> *Ibid.*, 6.

<sup>31</sup> *CA*, #32.

<sup>32</sup> *Ibid.*, #28.

<sup>33</sup> *Ibid.*

## CONCLUSION

To conclude, what John Paul II discussed in *Centesimus Annus* can be usefully applied to China's reformation of its market economy. According to the Pope, the establishment of a tripartite capitalist system is a crucial step in addressing the problem of crony capitalism. Given that the current market in China has become the tool of the ruling elites to amass fortunes, the genuine solution is to transform the authoritarian regime into a democratic political system, so that the market could be liberated from the hands of corrupt powers and become an ideal place where everyone—especially those who are currently marginalized in the market—could participate equally with creativity and initiative. Thanks to the Pope's constant reminder, we have learned that a market economy stands as a valid system only if it is directed to the common good. From this point of view, it is the right time to change, inasmuch as, in the words of Leo XIII, who was cited by John Paul II a number of times in *Centesimus Annus*, "man should not consider his material possessions as his own, but as common to all. . . ." because "above the laws and judgments of men stands the law, the judgment of Christ."<sup>34</sup>

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<sup>34</sup> Ibid, #30.