



A EUROPEAN COMMUNITY OF SOLIDARITY AND RESPONSIBILITY

*A STATEMENT OF THE COMECE BISHOPS ON THE EU TREATY
OBJECTIVE OF A COMPETITIVE SOCIAL MARKET ECONOMY*





*Commission of the Bishops' Conferences
of the European Community*

19, Square de Meeûs
B-1050 Brussels, Belgium
T + 32(2) 235 05 10
www.comece.eu
comece@comece.eu

A EUROPEAN COMMUNITY OF SOLIDARITY AND RESPONSIBILITY

A STATEMENT OF THE COMECE BISHOPS ON THE EU TREATY
OBJECTIVE OF A COMPETITIVE SOCIAL MARKET ECONOMY



**A EUROPEAN COMMUNITY
OF SOLIDARITY AND RESPONSIBILITY**
A STATEMENT OF THE COMECE BISHOPS ON THE EU TREATY OBJECTIVE
OF A COMPETITIVE SOCIAL MARKET ECONOMY

TABLE OF CONTENT

Preface	2
Foreword	4
Text of statement	
INTRODUCTION	8
1 THE CULTURAL FOUNDATIONS OF THE SOCIAL MARKET ECONOMY	9
2 COMMUNITY AND VOLUNTARY WELFARE INITIATIVES IN THE SOCIAL MARKET ECONOMY	12
3 MARKET ECONOMY AND COMPETITION	14
4 SOCIAL POLICY	19
5 SUSTAINABLE DEVELOPMENT OF THE SOCIAL MARKET ECONOMY	22
CONCLUSION	24



PREFACE

The present text, a statement of the Bishops of the Commission of the Bishops' Conferences of the European Community (COMECE), offers a commentary on the concept of "a highly competitive social market economy". This concept has become one of the treaty objectives of the European Union since the entry into force of the Lisbon Treaty. As a formulation, the concept of the social market economy is used most often in German-speaking countries, but it has also entered the constitutional traditions of other EU States, such as Poland. Now it has become a legal concept that is firmly anchored in the European treaties. However, it still needs to be fleshed out and made concrete. We, as bishops, should like to make a contribution to this process, as we have already done in the past on other aspects of European policy.

The roots of the term "social market economy" are found in Europe's philosophical, religious, and, in particular, Christian heritage. It therefore seemed to us appropriate and legitimate to speak out on this matter from our perspective, even if we ought to acknowledge openly that we are not experts on many of the questions raised.

For this reason, initially in March 2010, we asked the Social Affairs Commission of COMECE, chaired by Cardinal Reinhard Marx, Archbishop of Munich and Freising, to prepare a draft statement. We would like to thank our Social Affairs Commission and its Chairman, as well as a great many specialists, for their diligent preliminary work and advice. Special thanks are due here to the Director of the Catholic Social Sciences Centre of the German Bishops' Conference and his colleagues in Mönchengladbach. The Social Ethics Conference, organised jointly with the Secretariat of COMECE in May 2011, was an important step on the path to the final draft, which we discussed at two plenary sessions and finally adopted last October.

The Catholic Bishops, on whose behalf the Bishops of COMECE are monitoring the European unification process, feel closely bound to the work of European unification. The significance of this work needs, however, to be communicated afresh to Europe's citizens today. We are firmly convinced that the concept of a social market economy can be of great help in this respect. This concept calls for equal balancing of the principles of freedom and solidarity. It stands for respecting the value of all human beings and affording particular protection to those who are weakest. Within the framework and boundaries of our specific mandate, we would

like to work alongside the European Union as it develops into a genuine community of solidarity and responsibility, which also lives up to its global obligations.

+ Adrianus van Luyn,

Bishop of Rotterdam

President of COMECE



FOREWORD

The publication of this text comes in turbulent times. Despite some encouraging signals in the wake of the latest summit meetings of the European Union and the Eurozone, as these lines are being written, no one can predict the direction in which the European Union will evolve, nor whether it will be capable of addressing the challenges it faces in a spirit of solidarity and responsibility.

There is no doubt that in recent years the European Union has been through a period of the most intense internal trials since its foundation. Even today, there is still no end in sight. After the grave banking and financial crises, which in 2008 encompassed first the United States and then other countries and whole continents, doubts began to accumulate at the beginning of 2010 within the international financial community over the solvency of some of the States in the Eurozone. The level of national debt had soared to unsustainable levels in relation to economic output, so that due repayment out of their own resources was no longer considered possible. What had initially only affected certain States in the Eurozone subsequently expanded to almost all the others. Therefore, to prevent damage to the very foundations of the European order of peace, decisive common action is necessary in the present. This will demand concessions and sacrifices from all.

A collapse of the Eurozone would have profound effects on the European Union as a whole. One very important reason for the introduction of the euro was to prevent a spiral of devaluation of national currencies within the Common Market. Any break-up of the monetary union would therefore, in the long term, also undermine the achievements of the Common Market which, since the signing of the Treaty of Rome in 1957 has constituted the core of the integration process. This core must not be abandoned!

In the past, the often-disparaged European Internal Market contributed decisively to enabling the nations of our war-ravaged continent to remain at peace and their citizens to enjoy freedom and prosperity. Today, however, the process of European unification cannot be allowed to come to in a standstill – the Common Market must develop further. That is the reason for the present statement by the Bishops of COMECE. In this statement, a contribution to public discussion, we propose that the Common Market should evolve according to the concept of a European social market economy, thus allowing the European Union itself to become a viable community of solidarity and responsibility.

To this end it is of primary and utmost importance in the present European crisis to reaffirm the cultural bases of the concept of the social market economy. For it is much more than an economic model. It is based on the philosophical and juridical bases of Greco-Roman antiquity and grounded in Biblical theology. It binds freedom of the market with the principle of justice and the commandment to love of neighbour. These cultural and anthropological foundations are recalled and outlined in the first section of the statement.

Four essential characteristics of the European social market economy are then described. Emphasis is placed on the significance of free and voluntary initiatives to promote welfare for the process of social cohesion. In the European social market economy, free initiatives with social objectives deserve more support and a legal framework, which do justice to their specificity. Secondly, it is asserted that a social market economy must be economically efficient, that is, competitive, in order to be able to levy the taxes and contributions for debt reduction and the financing of ongoing expenditure. However, the European market needs not only rules, particularly in the financial sector, but also virtue-based action on the part of all market participants, beginning with the entrepreneur and reaching to the consumer. This is a matter for regulatory politics (“Ordnungspolitik”), for institutional ethics, for morality and virtue.

The third characteristic of the European social market economy is social policy. With reference to the principles of solidarity and subsidiarity, all those in need in the European Union must be given social protection and a guarantee of participatory justice. Our young people have the right to be offered high-quality training and education. The family needs to be cherished as the living source from which to promote the growth of solidarity and responsibility, and must be supported accordingly. In addition, at least for the States which have joined the monetary union and those that plan to take this step, there is, furthermore, today the concrete challenge of stronger alignment of their social services.

Finally, the European social market economy must be ecological. For us Europeans, one prerequisite for considerate interaction with natural resources and combating the consequences of climate change is a redefinition of our relationship with nature and the constitution of a culture of “moderation”. In international committees, the European Union should maintain its role as a standard bearer for the integrity of Creation. As a matter of principle, it must not limit itself as a community of solidarity and responsibility to shaping policy within its own borders. It must also play an active role at global level and honour its obligations and the promises it has made.



6 FOREWORD

In producing this statement, we have drawn particularly on the texts of the Church's social teaching. Here, the statements of the Second Vatican Council, which opened nearly fifty years ago and the social Encyclicals of the Popes, are of primary significance. We have also been able to draw upon numerous reports of the Bishops' conferences and previous statements from COMECE. Finally, in his encyclical *Caritas in veritate*, Pope Benedict XVI has given important new impetus, providing guidance in our analysis of the concept of a social market economy for the European Union. For this we are grateful to the Holy Father.

We trust that the present statement will foster a debate, which is important to us. We have supplemented our description of the four characteristics of a European social market economy each time with concrete suggestions and questions. We have ventured to do this in the interests of healthy debate. The statement is, in itself, moreover, an expression of our solidarity and responsibility with and for Europe. Since Europe must be a "*contribution to a better world*" (Jean Monnet).

+ Cardinal Reinhard Marx

Archbishop of Munich and Freising

Vice-Chairman of COMECE

and Chairman of the COMECE Social Affairs Commission

A EUROPEAN COMMUNITY OF SOLIDARITY AND RESPONSIBILITY

A STATEMENT OF THE COMECE BISHOPS ON THE EU TREATY OBJECTIVE
OF A COMPETITIVE SOCIAL MARKET ECONOMY

A EUROPEAN COMMUNITY OF SOLIDARITY AND RESPONSIBILITY

A STATEMENT OF THE COMECE BISHOPS
ON THE EU TREATY OBJECTIVE
OF A COMPETITIVE SOCIAL MARKET ECONOMY



INTRODUCTION

The term ‘social market economy’ entered the EU treaties, along with other objectives, via the Treaty of Lisbon. The model of the social market economy thus became one of the major objectives of the Union. The comprehensive realisation of this objective, however, is still to come. By means of this statement, the Commission of the Bishops’ Conferences in the countries of the European Union (COMECE) wishes to make its voice heard in the debate on how the goal of a European social market economy can be achieved and what institutional form it should assume. The current crisis in the Eurozone, and the structural weaknesses and imbalances in the European Union as a whole, underline the urgent need for this debate. We are perfectly aware that the Church has no technical solutions or any political or economic model to put forward.¹ However, given the fact that the Church really does live amongst ordinary people, it also shares in their day-to-day worries and hardships.² What is more, considering the question of the probable impact of the future economic and social set-up in Europe on the lives of people both inside and outside the EU, we see it as our duty to comment on this important matter in our capacity as European bishops. In doing so, we also refer to previous statements.³

¹ Cf. Second Vatican Ecumenical Council, Pastoral Constitution on the Church in the Modern World *Gaudium et Spes*, 36;

John Paul II, Encyclical Letter *Sollicitudo Rei Socialis* (30 December 1987), 41;

Cf. John Paul II, Encyclical Letter *Centesimus Annus* (1 May 1991), 43;

Benedict XVI, Encyclical Letter *Caritas in Veritate* (29 June 2009), 9.

² Cf. Second Vatican Ecumenical Council, Pastoral Constitution on the Church in the Modern World *Gaudium et Spes*, 1;

Encyclical Letter Paul VI, *Populorum Progressio* (26 March 1967), 13.

³ Cf. Statement of COMECE bishops on Monetary Union (2000), on “*Solidarity is the soul of the EU*” (2004), “*The Evolution of the European Union and the Responsibility of Catholics*” (Group Simon) (9 May 2005); also reports of expert groups: on Global Governance (2001), on a “*Europe of Values*” (2007); on Climate change (2009)

A EUROPEAN COMMUNITY OF SOLIDARITY AND RESPONSIBILITY

A STATEMENT OF THE COMECE BISHOPS ON THE EU TREATY OBJECTIVE
OF A COMPETITIVE SOCIAL MARKET ECONOMY

1. THE CULTURAL FOUNDATIONS OF THE SOCIAL MARKET ECONOMY

1) The notion of a social market economy links the principle of a free market and the instrument of a competitive economy with the principle of solidarity and with mechanisms designed to serve the interests of greater social equality. This link responds to more than the demands of common sense, or a purely instrumental sense of reason; it is founded, rather, on a value-based judgment emanating from the moral bedrock of our European culture. Its roots lie in our historical heritage. To be more precise: the idea of a social market economy is derived, to a considerable extent, from the Western Christian idea of the human being as an individual person and from the connection, peculiar to European culture, with the ancient ethics of justice and love which find their origins in Greek philosophy, Roman jurisprudence and the Bible. The forms of social market economy present in Europe today would be unthinkable without this cultural heritage. The European Union, for its part, must therefore take this heritage into account when it seeks to shape a new step in the social market economy – one of the key challenges of the present time. This is another reason prompting us to contribute to the discussion in our capacity as Catholic bishops.

2) The roots of the Western Christian idea of man were first formed in the philosophy of Greek and Roman antiquity and in Biblical theology. In Greek philosophy, and in Roman law, we first encounter the human person in cultural history as an individual who assumes responsibility for his or her actions according to clearly delineated rights and duties. According to the Biblical account of Creation, God creates people in His image. Through this belief, the human person is placed on an altogether different level: transformed from a mere example of the species of humankind into a distinctive person with an inalienable dignity. The value of the human being set forth in the Old Testament was further elevated through the incarnation of God in Jesus Christ. Jesus Christ, truly human and truly God, is at the centre of Christian anthropology: *“Human nature, by the very fact that it was assumed, not absorbed, in him, has been raised in us also to a dignity beyond compare. For, by his incarnation, he, the son of God, has in a certain way united himself with each man.”*⁴ Notwithstanding the dignity of the person as a human being, from the Christians perspective the human being is a creature. As a created being, the

⁴Second Vatican Ecumenical Council, Pastoral Constitution on the Church in the Modern World *Gaudium et Spes*, 22.



human person can only fulfil his or her destiny through the recognition that life is an inalienable gift and that the way we choose to live our lives as human beings must be integrated into the order of Creation in a comprehensive and lasting way. On the basis of this Christian understanding of the person, the Church stresses the fundamental and equal value of all people, which must also be recognised in societal institutions and in the economic system.⁵ In the same breath, it reaffirms that the human person as a social being is designed for relationships and for working together for the Common Good.

3) Already, in the philosophy of antiquity, justice was categorised as a cardinal virtue. The predominant idea is that each person should be granted that which he or she is legally owed. Christian theology appropriated this understanding of justice, while at the same time, decisively modifying it through belief in the fundamental equal worth of all people and the commandment to love of neighbour. The concept of social justice to which this gives rise is not just geared towards performance and the legal rights one can thereby acquire; it is first and foremost geared towards the dignity which is equal for all people. The Christian commandment to love the neighbour has, in this respect, influenced our understanding of justice to the extent that every individual is no longer entitled merely to what is legally owed to him or her; rather, every person can, at the same time, exercise a moral claim to a dignified existence in our social community. This is brought sharply into focus in the New Testament in the parable of the Good Samaritan: every human being has the right to be helped, and at the same time, everyone is called to act in solidarity. The injustice of Cain towards Abel is surpassed by the compassionate love of the Samaritan. From this vantage point, existential material poverty and the exclusion of individuals from vast swathes of society constitute a serious violation of social justice. No-one, whether young or old, irrespective of nationality or colour of skin, may be left behind. This conviction led Christian culture at a very early stage to develop structures and institutions embodying compassion and charity.⁶ In terms of cultural history, it is here that we can find the origins of the modern welfare state.

⁵ Cf. John XXIII, encyclical letter *Mater et Magistra* (15 May 1961), 221; Second Vatican Ecumenical Council, Pastoral Constitution on the Church in the Modern World *Gaudium et Spes*, 25, 29.

⁶ On the matter of Solidarity between the various categories of human society, already in the Petristic period in the Church it was asserted that requirements and necessities of human society had to be paid attention to in the spirit of the Gospel. Indeed, Basil the Great, urged the community in this sense: “*The care of the poor involves significant expenditure, so that everyone might have what is necessary, so that all people may share equally the goods of the earth and can provide for their needs*” (*Homily against the rich*).

A EUROPEAN COMMUNITY OF SOLIDARITY AND RESPONSIBILITY

A STATEMENT OF THE COMECE BISHOPS ON THE EU TREATY OBJECTIVE
OF A COMPETITIVE SOCIAL MARKET ECONOMY

In its development towards becoming a social market economy, the European Union can build upon traditions that are to be found in all the Member States. Confident that this common foundation is present at all levels of society, and in recognition of the principle of subsidiarity, the social market economy can allow various types of aid and institutions to exist alongside one another, as they follow a common fundamental impulse, derived from a single source.



2. COMMUNITY AND VOLUNTARY WELFARE INITIATIVES IN THE SOCIAL MARKET ECONOMY

4) After the end of the Second World War, the social market economy became a social-political model. In some states, this occurred with explicit reference to this term. In other states, different terms were chosen which nevertheless meant the same thing: wide-ranging freedom of the market in connection with the instruments of the competitive economy and the principle of solidarity and with mechanisms for the promotion of greater social equality, i.e. far-reaching social protection on the part of the State. After the collapse of the Communist regime in 1989, central and eastern European States also referred to the social market economy as a model, although its realisation was not feasible everywhere. Thus, in recent years, in the first place, there is increasing awareness that the free market is not able to provide a range of (public) goods and services such as health, education and housing in an appropriate way and for each person without State intervention.⁷ Secondly, it is also increasingly coming to light that in many countries there are threats to social cohesion in spite of a high level of social protection, as the indispensable contribution of voluntary associations and private initiatives has not been adequately taken into account. The latter are an expression of a high degree of spontaneous solidarity and voluntary help based on reciprocal assistance (i.e. not state-driven or state-dependent). A society cannot function on the basis of legal claims alone, but needs space for generous giving, especially in what concerns the family. An excess of State welfare, by contrast, engenders dependency and obstructs the assumption of individual responsibility, active love of neighbour and solidarity.

5) The State is a precondition for an ordered community. Integral human development cannot be achieved without it. Arrangements aimed at institutionalising solidarity by means of taxes and social security contributions were put in place because private initiatives alone were not sufficient. The form of solidarity organised by the State is reliable, enduring and therefore necessary.

⁷ Here it should not be left unsaid that, in principle, the market is not inherently anti-social. Ordered in the right way, it can be a place for interactions that create relationships and it can make possible a more efficient use of scarce resources. This includes also the establishment of industrial relations through collective bargaining and workers' participation.

A EUROPEAN COMMUNITY OF SOLIDARITY AND RESPONSIBILITY

A STATEMENT OF THE COMECE BISHOPS ON THE EU TREATY OBJECTIVE
OF A COMPETITIVE SOCIAL MARKET ECONOMY

However, it is not enough, because it lacks in particular the aspect of voluntariness. Assistance rendered to others as a free form of active love and solidarity – not motivated by obligation, with no expectation of receiving anything in return immediately or directly, and which often has its origin in religious faith – must not be stifled, either through bureaucratic forms of State solidarity or through market solutions motivated by short-term considerations. Indeed, it is irreplaceable and indispensable inasmuch as it demands the moral awareness of the individual and – alongside the principle of law and order – significantly contributes to the creation of the ‘trust capital’ that is necessary for the growth of reliable relations and social existence. In his encyclical *Caritas in veritate*, Pope Benedict XVI addressed this connection, using the terms ‘gift’, ‘reciprocity’, ‘gratuitousness’ and ‘fraternity’.⁸ The institutions corresponding to the free form of solidarity – mutual associations, cooperatives and self-governing municipal bodies – and other forms of the social economy and ethical investments, therefore demand to be given particular attention in building a European social market economy. For this reason, we welcome the fact that, in recent initiatives to make the European internal market more dynamic, the relevance of these institutions is receiving increasing recognition. They should be given priority whenever they prove to be the equal of state or market economy solutions, in accordance with the principle of subsidiarity. In particular in the realisation of the objective, bindingly agreed in the EU Agenda 2020, of reducing the number of people at risk of poverty in Europe by 20 million by 2020, the experience of charitable and cooperative institutions should be utilised to a greater extent.

⁸ Benedict XVI, Encyclical Letter *Caritas in Veritate* (29 June 2009), 34ff. Cf also Pius XI, Encyclical Letter *Quadragesimo Anno* (15 May 1931), 137.



3. MARKET ECONOMY AND COMPETITION

6) Today, there is a widely held view that market competition and the principle of solidarity are mutually exclusive. However, in the Lisbon Treaty a clear connection is made between the social objectives of the European Union and competition, insofar as it is established that the European Union is working towards a ‘highly competitive social market economy’.⁹ We are, however, of the opinion that in this model for European policy, the emphasis should be on the “social” rather than the “highly competitive” dimension. Competition is the means and the “social” is the goal. That being said, we are obviously conscious that a well regulated market, which is truly guided by competition, is an effective means of achieving important goals on the path towards justice.¹⁰ Competition ensures that economic resources are used in an efficient manner and that people will always look for new and better solutions to economic problems. It must be acknowledged, however, that competition is not a naturally occurring phenomenon, emerging out of nowhere wherever economic freedom reigns. It is the task of those who set up political frameworks to ensure that a genuine performance-based system of competition prevails. Monopolies, cartels, price-rigging and the distortion of competition through the abuse of economic power or public aid must be combated effectively or prevented by the legislative and executive branches of the European Union. It may sound paradoxical, but without rules which are clear, enforceable and reinforced by sanctions, the idea of free competition cannot become a reality.

7) For a competitive economic system to run smoothly, a stable currency and financial system are essential.¹¹ The global crisis in the financial markets demonstrated in dramatic fashion that there were gaping regulative deficits in this domain.¹² In the light of the systemic significance of the financial and banking sectors, particular attention must be paid to supervision and regulation in

⁹ Article 3 para. 3 TEU.

¹⁰ Cf Pontifical Council for Justice And Peace, Compendium of the Social Doctrine of the Church, 347.

¹¹ Cf. John Paul II, Encyclical Letter *Centesimus Annus* (1 May 1991), 48.

¹² Cf. already Pius XI, Encyclical Letter *Quadragesimo Anno* (15 May 1931), 89.

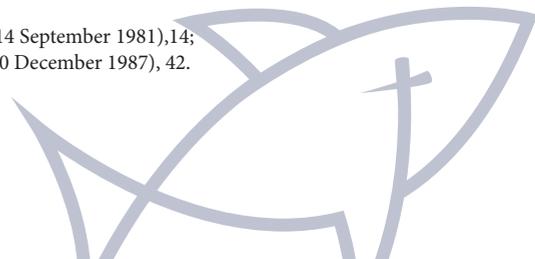
this field. Furthermore, the financial crisis also needs to be viewed through the prism of an understanding of wealth and growth which has been aimed entirely at the accumulation of goods and profit. This vision threatens to overshadow the social and ecological dimensions of quality of life, which often cannot be directly expressed in monetary terms, and ignores the impact of economic activity on others, especially the generations to come. Therefore, if we intend to confine the financial crisis to the past, a reassessment of the value system is needed. Founding economic activity on the sole objective of profit maximisation is misguided.¹³

8) Incentive systems that decouple risk and liability contradict the spirit of a social market economy. The European Union should therefore establish rules which link managers' salaries more closely to the long-term success of investment and credit decisions and set upper limits for such remuneration. A market economy that serves exclusively the interests of capital cannot be called "social". It is, however, indisputable that there will not be a social market economy in Europe without the conscientious, dependable and responsible conduct of all actors in the economic sphere – top management in particular. Both within the EU and in the framework of the G20, we need better laws and rules for the global financial market, not least with a view to future generations, but we also need a new, more ethical culture, the development of which cannot be entrusted solely to politics. The application of the fundamental principle from Catholic social teaching which states that the goods of this world are to be shared by all – with provision for recognition of the valid and necessary social function fulfilled by the right to private property – is the task of politics, but must also be internalised by all those involved.¹⁴

9) The governments of the Member States and the institutions of the European Union must, in the interests of the Common Good and in accordance with the model of the social market economy – in which the principles of freedom and social justice are interrelated – pursue monetary, financial and economic policies which aim at stability. Horrendous (in some cases) levels of public and private debt must be paid off in the interests of future generations. That must not, however, be achieved at the expense of the poorest and without regard to the requirements of social justice. The burden sharing arising from measures aimed at achieving the necessary reduction of the debt contracted in the course of the current financial crisis must take account of the responsibilities of governments,

¹³ Cf Benedict XVI, Encyclical Letter *Caritas in Veritate* (29 June 2009), 21.

¹⁴ Cf John Paul II, Encyclical Letter *Laborem Exercens* (14 September 1981), 14;
John Paul II, Encyclical Letter *Sollicitudo Rei Socialis* (30 December 1987), 42.



as well as of banks and other financial institutions, and may subsequently lead to additional taxation in this sector. Thus, the European Commission has proposed the establishment of bank resolution funds with financial means raised by banks, which should make it possible to cope with the consequences of possible bank collapses without recourse to taxpayers' money. Another proposal concerns the creation of a financial transaction tax, which should be introduced as a first step by the countries of the Eurozone, if there is no other way. In particular, those countries which are already full members of the EU's economic and currency union have taken on a particularly high level of mutual and global responsibility. With the signing of the Maastricht Treaty, these countries formed a community based on solidarity, the quality of which is only today coming to the fore. At the same time, it is evident that this solidarity also implies a community of responsibility. In the future of the European Union, solidarity and responsibility must become increasingly more closely linked. To the extent that further steps towards integration prove necessary, the community of solidarity must be supported by the willingness of people to live together. At the same time, it will only have a future if, as a responsible community, it also remains open to those Member States which are still outside it. Indeed, the readiness of the people to take this community to their hearts and their openness to all EU Member States present the greatest challenges of the next few years when it comes to European unification. As bishops, mandated by our brother bishops in Europe to follow and monitor this process, we would like to emphasise the following point: just as the system of nation states in 19th and 20th century Europe was incapable of securing lasting peace, the European Union at its present stage of integration will prove equally incapable of mastering the demographic and globalisation-induced challenges that Europe now faces. Europe must be committed to the model of the social market economy. The future for Europe's peoples and nations is a community of responsibility and solidarity, united in the social market economy.

10) While the market has many positive aspects, it should be emphasised that the market is not an end in itself. It is an instrument which exists to serve human development and humanity as a whole.¹⁵ For this reason, people must never be reduced to the roles of producers and consumers. Rather, they must be perceived and treated as human persons, who produce and consume in order to live.¹⁶ Therefore, restrictions need to be placed on the market in cases where allowing it unrestricted reign has a harmful impact on the life and development

¹⁵ Cf Benedict XVI, Encyclical Letter *Caritas in Veritate* (29 June 2009), 8f.

¹⁶ Cf. John Paul II, Encyclical Letter *Centesimus Annus* (1 May 1991), 39.

of human beings. With regard to the supply of vital goods and public services in particular, public authorities have a formal obligation. The market alone is not capable of developing satisfactory solutions in this regard. Even if it might appear prudent to organise some elements of public services and health care according to market principles, the basic offer and quality in these fields must be guaranteed by appropriate means and measures administered by public authorities. An appropriate regulation of public services, and social services in particular, in the common European market, should be a distinguishing feature of the European social market economy. We expect the European Union to take action here in cooperation with the Member States.

11) Today, our task lies in protecting ourselves from a scenario where the market and its inner logic manage to encroach on all areas of life and hold them captive. There are shared and qualitative needs which cannot be satisfied by the market, particularly in relation to the family. This is why it is the task of government to provide guaranteed market-free times and living spaces where people can search for ways to meet these needs.¹⁷ It is right that market activity is restricted on official public holidays and Sundays, because on those days, for national, cultural or religious reasons, peace and quiet and time to collect one's thoughts take precedence over economic activities. For the same reason, economic activity is restricted or ceases entirely in certain public spaces and media, e.g. the prohibition on advertising during the broadcasting of Church services. This must also not be lost from view at the European level and in the completion of the common market.

12) However, it is not just the job of the State to impose restrictions on the market. Opting for a market economy goes together with opting for freedom of the people. This is why we need individuals to assume responsibility freely and based on the principle of solidarity.¹⁸ The market often may well ensure that material resources are channelled towards the goal of making the greatest contribution towards satisfying consumer needs. In affluent societies such as those in Europe, however, where it appears that basic material needs are met for nearly all citizens, consumer desire is mostly directed towards non-essential and luxury goods. The market turns a blind eye to the differing moral quality of the aforementioned goods, which can be traced back either to their nature or the manner in which they were produced or supplied. In affluent societies a high level of responsibility is

¹⁷ Cf Benedict XVI, Encyclical Letter *Caritas in Veritate* (29 June 2009), 36.

¹⁸ Cf Benedict XVI, Encyclical Letter *Caritas in Veritate* (29 June 2009), 11.



shared by producers – who often seek to generate particular needs in the first place – as well as consumers. It is the consumers who ultimately dictate the direction of economic activity to a great extent through their consumer habits, both in Europe and globally. Every economic decision has a moral consequence.¹⁹ Decisive cultural action is therefore necessary in order to educate people on how to make responsible consumer choices.²⁰ Here, too, the Church seeks to play its part.

¹⁹ Benedict XVI, Encyclical Letter *Caritas in Veritate* (29 June 2009), 37.

²⁰ Cf. John Paul II, Encyclical Letter *Centesimus Annus* (1 May 1991), 36.

4. SOCIAL POLICY

13) The European Union has, at present, only limited competence in social policy, since the primary responsibility in this area resides with the Member States. However, we notice that, within the community of solidarity and responsibility of the economic and monetary union, issues relating to social, fiscal and budgetary policies are also gaining in importance, and that a reallocation of responsibilities between the European Union and Member States proves to be both necessary and desirable. It is not least in recognition of this fact that we would like to make some general observations concerning this area, which is of particular significance for the poorest and most vulnerable in our midst. From the beginning, the European Union has considered itself not only a free trade zone, but rather a political community that is a value-based community. One of the core values of European culture is that of social justice.

14) The market can only satisfy those material demands which can be assigned to the categories of performance and reward. This means that it does not take account of the needs of those who, for reasons linked to age, illness or unemployment, are not able to play a (full) part in market activities. It is therefore important that in the European social market economy social protection is put in place to fill this gap so that a dignified standard of living can be guaranteed to all citizens. This can no longer be the concern of the Member States alone, but must also be a concern of the European Union.

15) In recent years, many European countries have introduced reforms in the field of social policy, some of which have been met with great concern by the citizens. Demographic change and the challenges of globalisation were proffered as the reasons prompting the reforms; factors which led to countries competing against one another for business locations. Such adjustments, which in some cases are necessary, must nevertheless adhere to the principle of social justice and must not disturb the fabric of social protection.²¹ In the interests of benefit claimants and the public good, social policy in the European Union must continue consistently to align itself with the principles of subsidiarity and solidarity. Redistribution aimed at achieving a greater balance between poor and rich, between ill and healthy, between young and old, becomes increasingly necessary as inequality gaps in society widen.

²¹ Benedict XVI, Encyclical Letter *Caritas in Veritate* (29 June 2009), 25.



16) When one thinks of mass unemployment in particular, social policy must not be reduced to merely providing those affected with financial aid so they can get by. Unemployment goes far beyond the absence of income: it also amounts to a far-reaching sense of exclusion from the world around you. Welfare provisions must therefore pursue the goal of enabling people to participate in social life, in particular through re-integration into active employment. For their part, those receiving benefits must make every effort to contribute to society to the best of their ability. Employment policy in the European Union should be guided by this principle. Going beyond that, efforts at the European level should be intensified to increase the mobility of workers in the European social market economy. In the matter of transferability of supplementary pension entitlement (occupational pensions), the European social partners bear the responsibility, in the framework of the European social dialogue, for producing a proposal for a European directive. In this connection, we welcome the responsibility of the social partners in the framework of the regulations of the EU regarding social policy. We invite the European institutions, in a time of crisis and sometimes difficult adjustments, to create the conditions that will enable social dialogue between European partners to play the role assigned to it in the European treaties.

17) In addition, in many European countries, the number of people employed could possibly be increased if the contributions and taxes which encumber the employment factor were reduced. The European level can give significant impetus to this, even if it only has very limited competence with respect to direct taxation and, to date, no powers at all in relation to the financing of the social security system. Furthermore, with the conclusion of the “Pact for the Euro”, which almost all the EU Member States have entered into, an instrument has recently been created which, on a voluntary basis, allows expectation of steps to align taxation policy and social policy in the direction of greater justice.

18) Social policy, family policy and education policy are all closely linked. The causes and consequences of decisions in these areas of policy have effects on each other and are mutually dependent. In the past, social policy, overly focused on financial assistance, has often shifted its viewpoint away from the fact that strengthening families and investing in education constitute the best means of preventing poverty and social exclusion. For this reason we welcome the fact that European countries are paying more attention to family and education policies. Families in particular, along with the work they do in rearing and caring for children, also perform a vital service for the common good. Since this service does not register with the market, it is the job of the State to strike a balance between parents and childless people in its taxation laws and through appropriate social

A EUROPEAN COMMUNITY OF SOLIDARITY AND RESPONSIBILITY

A STATEMENT OF THE COMECE BISHOPS ON THE EU TREATY OBJECTIVE
OF A COMPETITIVE SOCIAL MARKET ECONOMY

policy instruments. Education policy at the level of Member State responsibility needs to be measured in terms of the target of bringing the number of school drop-outs in the EU below the 10% level by 2020. The task of awakening moral awareness and supporting the formation of personal virtue in the individual is an urgent task for families, schools, universities and places of occupational education and further education, and is shared by the Churches and religious communities.

19) In the coming decades, too, Europe will have to rely on workers from other parts of the world in order to ensure that the level of economic performance is sufficient to cover the financing of social security benefits. Countries of origin and host countries should work together in the interests of well-ordered handling of the flows of migrants, in order to reduce to a minimum suffering and deprivation for the new arrivals and unavoidable burdens for those accepting them. We recommend that the European Union, within the framework of its responsibility, should settle questions of foreign aid, study visits and working conditions in comprehensive agreements with third countries. This should be not done solely with the host countries in mind. The family, social and economic structures of the countries of origin, too, do not remain unaffected by migration. At all events, the value of the human beings who come to Europe from other countries must be respected by all. Their inalienable fundamental rights must be respected.²²

20) In the social market economy, social responsibility is not limited only to social policy in a narrow sense. It also applies, for example, in the field of contract law, where a lack of equality between the contracting parties with regard to information and power can lead to disadvantages and injustice. The European Union is currently striving to remove bottlenecks in the European internal market. In connection with the proposals for an additional Europe-wide law of contract, which would be applicable on a voluntary basis alongside existing national laws, particular attention must be paid to ensuring that in each case the weaker contractual party – e.g. in the case of Internet sales – is effectively protected.

²² Cf Benedict XVI, Encyclical Letter *Caritas in Veritate* (29 June 2009), 62.



5. SUSTAINABLE DEVELOPMENT OF THE SOCIAL MARKET ECONOMY

21) In Article 3, section 3 of the European Union Treaty, competitiveness and the social progress of the European social market economy are named alongside environmental protection and improving the quality of the environment. The European signatories to the Treaty are thus acknowledging that, today, alongside its continued social development, the continued ecological development of the social market economy is a matter of great importance. It is worth noting that in scientific circles and in public discussion the phrase ‘eco-social market economy’ is frequently mentioned in place of ‘social market economy’. The implied intention is one that we share as bishops of COMECE. In the face of dramatic environmental change, especially climate change and the scarcity of fossil fuels and other raw materials, our responsibility for Creation obliges us to respect the economic and ethical principle of sustainability. A competitive economy fit for the future draws on the strength of the markets in order to innovate and raise productivity when it comes to resources. It shapes all economic processes by laying down ecological framework conditions and incentives in such a way as to conserve the natural foundations of our existence. Without a systematic integration of ecological factors, neither economic competitiveness nor social justice can be achieved in the long run.

22) Above and beyond the imperative that we currently face to preserve our socio-economic resources, the current ecological challenges call on us to look for possible ways of redefining the relationship between humans and nature from an ethical and anthropological point of view, transforming our understanding of the term ‘development’. Protecting the environment needs to shift away from being a limitation to becoming a goal for the development of our societies through recognition of environmental quality as an integral component of the prosperity model. In his encyclical *Caritas in Veritate*, Pope Benedict writes that “*in our use of [the natural environment] we have a responsibility towards the poor, towards future generations and towards humanity as a whole*”²³. Our economies need to be shaped more by a sense of development that is in harmony with the cycles and the temporal rhythms of nature. This requires us to change the way we manage food, energy and water. It is already evident that the wasteful treatment of these resources leads to

²³ Benedict XVI, Encyclical Letter *Caritas in Veritate* (29 June 2009), 48.

violent conflicts. Renewing the social market economy provides a framework that could be used to move us closer to these goals; indeed, this framework should provide a means of measuring this renewal. This is not only a matter of developing more efficient, economical technology; it is also about making sensible reductions in our consumption – practising moderation. When it comes to the development of States in central and eastern Europe, regulations which protect against the short term exploitation of natural and socio-cultural resources have a decisive role to play in safeguarding the Common Good in the long term.

23) Given the fact that environmental quality is regarded as a public good, damage to which affects us all, and whose benefits cannot be easily individualised, the returns on investments in an improvement of environmental quality are difficult to attribute. For this reason, sustainability needs a specific institutional guarantee, not just at European level but also at the global level. We call upon the institutions of the European Union and the national governments in Europe to do their utmost to engage with their international partners on this issue. In this regard, however, there is also a need for civil society initiatives which are acquiring increasingly important significance in international dialogue and development cooperation. In his encyclical *Caritas in veritate* Pope Benedict declared these to be essential in terms of the objective of civilising the global economy.²⁴ The Church is ready and willing to offer its own expertise in the international dialogue on these issues; for example long-term reflection, a universal understanding of the Common Good and of responsibility, an understanding of nature as creation with its intrinsic value, and also, and not least, a far-reaching global network of concrete commitments.

²⁴ Cf Benedict XVI, Encyclical Letter *Caritas in Veritate* (29 June 2009), 38ff.



CONCLUSION

24) The European Union has adopted the creation of a social market economy as an objective. This statement is offered as a contribution to the debate on the principles that should underpin the achievement of this objective. The social market economy has proven its worth in many of the EU Member States. Today, the social market economy needs be spread across Europe, so that it may survive the challenge of global competition, and in order to be able to continue offering the most vulnerable in our midst effective social protection, and in order to be sustainable, given the requirements of environmental and climatic protection. To make the social market economy a reality in the European Union, we need a community of solidarity and responsibility. With solidarity and responsibility, we Europeans will also succeed in mastering the present difficult crisis and walking together on our common path and, in the end, demonstrating peace and justice to all people throughout the world.

25) The crisis in the financial markets and in the economy has clearly revealed that the major economic challenges and dangers with regard to the general integration of national economies must now be solved at international level. The European Union, as a community of highly-industrialised prosperous States, bears a particular moral responsibility to ensure that in the long term “*a true world political authority*”²⁵ with supranational structures and institutions is developed. It will “*need to be regulated by law, to observe consistently the principles of subsidiarity and solidarity*,”²⁶ but it appears to us to be imperative. Alongside economic ingenuity, due regard must be shown to the principles of justice and ecological responsibility. Long-industrialised nations need to think beyond immediate, individual economic gain, choosing instead to play an active part in a global economic order which guarantees free and fair competition and opens

²⁵ Benedict XVI, Encyclical Letter *Caritas in Veritate* (29 June 2009), 67; cf also John XXIII, Encyclical Letter *Pacem in Terris* (11 April 1963), 293 and recently the explicit nota of the Pontifical Council for Justice and Peace, published in October 2011, with the title *Towards reform the international financial and monetary system in the context of a general public authority*: “*It is a matter of an Authority with a global reach that cannot be imposed by force, coercion or violence, but should be the outcome of a free and shared agreement and a reflection of the permanent and historic needs of the world common good. It ought to arise from a process of progressive maturation of consciences and advances in freedoms as well as awareness of growing responsibilities.*” (Nr.3).

²⁶ Benedict XVI, Encyclical Letter *Caritas in Veritate* (29 June 2009), 67.

up the possibility of development to weaker national economies. Even if sensibly utilised development assistance for the poorer communities is of benefit to all in the end,²⁷ solidarity ultimately means more than the calculated pursuit of one's own interests exclusively. Therefore we would like to seize this opportunity to make an urgent call once more upon the governments of all EU countries to keep their promises and raise development aid to 0.7 per cent of their GDP by 2015 and make good use of it.²⁸ To our regret, the EU has failed to achieve its own interim target of 0.56% of GDP for 2010. Additional efforts of an estimated EUR 50 billion will be necessary in order for Europe to keep the promise it made publicly to the poorest – particularly African – countries.

26) From the start, the project of European unification has been more than purely economic; it has been, and is, a political and moral project: it should serve justice and peace in Europe and worldwide. The realisation of a social market economy in Europe as a community of solidarity and responsibility is part of this endeavour towards worldwide peace and global justice. A new culture of co-responsibility should replace the current culture of blame. Christians are called upon to promote and develop this culture of co-responsibility. We support this project, as bishops of COMECE, and we recognise therein an important contribution to the creation of a culture that “*drives globalisation towards the humanising goal of solidarity*”²⁹.

As a Church we wish to engage with, and further, efforts in this direction, in the spirit of the words of Blessed Pope John Paul II in the Encyclical Letter *Centesimus Annus*: “*To those who are searching today for a new and authentic theory and praxis of liberation, the Church offers not only her social doctrine and, in general, her teaching about the human person redeemed in Christ, but also her concrete commitment and material assistance in the struggle against marginalisation and suffering.*”³⁰

²⁷ Cf Benedict XVI, Encyclical Letter *Caritas in Veritate* (29 June 2009), 60.

²⁸ We recall that the rich countries in the United Nations promised already in 1970 to devote 0,7% of their GDP for development co-operation.

²⁹ Benedict XVI, Encyclical Letter *Caritas in Veritate* (29 June 2009), 42

³⁰ John Paul II, Encyclical Letter *Centesimus Annus* (1 May 1991), 26.



**A EUROPEAN COMMUNITY
OF SOLIDARITY AND RESPONSIBILITY**
A STATEMENT OF THE COMECE BISHOPS ON THE EU TREATY OBJECTIVE
OF A COMPETITIVE SOCIAL MARKET ECONOMY

www.comece.eu

Square de Meeûs 19 | B-1050 Brussels (Belgium)

Tel. +32 (0)2 235 05 10 | Fax +32 (0)2 230 33 34 | comece@comece.eu