The Principle Of Subsidiarity And A New Paradigm Of Economics

辅助性原则和经济学新范式

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What is the "Principle of Subsidiarity"? It is, in brief, a contribution to Western social philosophy first articulated in Catholic Social Teaching (CST). From the perspective of CST, any new paradigm of economics must be consistent with basic principles, namely, human dignity, the common good, and especially the principle of subsidiarity. This principle, which first surfaced in Pius XI's *Quadragesimo Anno*, in 1931, was meant as a warning indicating the proper way(s) in which interventions from governments can and should assist persons and families to fulfil their purposes in a modern industrial economy. Such assistance—a *subsidium*—from "higher organizations" like the State must not usurp the proper functioning of the "lower" entities they are ostensibly trying to assist. Solutions to social problems must respect the dignity of all human beings, the rights of natural associations like families, and the common good.

Here is its classic statement in *Quadragesimo Anno* (1931):

> 79. "Just as it is gravely wrong to take from individuals what they can accomplish by their own initiative and industry and give it to the community, so also it is an injustice and at the same time a grave evil and disturbance of right order to assign to a greater and higher association what lesser and subordinate organizations can do. For every social activity ought of its very nature to furnish help to the members of the body social, and never destroy and absorb them."
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> 80. "The supreme authority of the State ought, therefore, to let subordinate groups handle matters and concerns of lesser importance, which would otherwise dissipate its efforts greatly. Thereby the State will more freely, powerfully, and effectively do all those things that belong to it alone because it alone can do them: directing, watching, urging, restraining, as occasion requires and necessity demands."

In order to appreciate how understanding the Principle of Subsidiarity has evolved in response to various crises, it is useful to recall the context in which *Quadragesimo Anno* (1931) was promulgated. At that time the Vatican was in a struggle with Mussolini—and his Fascist Italian government—over control of Catholic institutions, especially in education and youth organizations. While the language in *Quadragesimo Anno* assumes that a hierarchical social order ("higher" and "lower") is inevitable, Pius XI clearly means to challenge the State, and how it carries out its "functions," particularly in providing assistance (economic, social, political, cultural) to primary human groups, starting with families.

Nevertheless, the Principle of Subsidiarity is not an endorsement of a minimalist view of government or the so-called "Watchman State" offered by Libertarianism. The Principle assumes the development of the modern state and its centralization of various social welfare functions intended to promote national development. The Principle does not reject these functions but means to ensure that they provide genuine assistance by respecting the integrity of basic primary institutions, such as the family and the Church. Once it became clear that it had applications beyond its original meaning in resisting Fascist and other forms of Totalitarian usurpation, the Principle of Subsidiarity has been invoked to clarify basic questions of how to create forms of assistance, both public and private, consistent with Human Dignity, the Common Good, Distributive Justice, and other principles of Catholic Social Teaching.

First Key Idea: Subsidiarity and Business Management

One innovative recent development is the several paragraphs in *The Vocation of the Business Leader* (Pontifical Council for Justice and Peace, 2012) counselling business leaders to create "subsidiary structures" in the organization and management of work (Paragraphs 47-50). *The Vocation of the Business Leader* (VBL) document proposed "three practical steps" to fulfil its vision of worker participation in creative business management:

- "Clearly define the realm of autonomy and decision rights to be made at every level in the company, leaving these as wide as possible. Limits should be set such that decision rights do not exceed a person or group's ability to access the information required to make the decision, and so the consequences of the decisions would not overstep their realm of responsibility.

- Teach and equip employees, making sure they have the right tools, training, and experience to carry out their tasks.
- Accept that the persons to whom tasks and responsibilities have been given will make their decisions in freedom and, thereby in full trust, the risks of their decisions. Subsidiary business structures therefore should nurture mutual respect and responsibility and allow employees to attribute good results to their sincere engagement." (VBL 49)

Accepting managerial responsibility means becoming a "servant leader" (VBL 50). Implementing the Principle of Subsidiarity means going beyond "delegation" or the assignment of tasks to subordinates, where the accountability only flows upward toward the boss. (VBL, 49) Implementing the Principle of Subsidiarity requires self-discipline on the part of the executive leadership group, and genuine efforts to increase empowerment of "subordinates" to exercise their own freedom and intelligence in support of the firm's clear objectives. Employees at all levels become "co-entrepreneurs" or partners in the enterprise and are respected and rewarded accordingly. (VBL 50)

Second Key Idea: Subsidiarity and the Cooperative Movement

The Principle of Subsidiarity is also evident in Catholic Social Teaching's proposals for overcoming poverty. Empowering the poor, in economic terms, means providing access to capital. This can be illustrated either through an investigation of the Grameen Bank in Bangladesh or credit unions in the Philippines or both. Here the Principle helps overcome the "moral hazard" inhibiting conventional banks from lending to the poor: The risk involved in extending credit to anyone, is no greater among the poor than with the rich, if the loan is managed properly.

Success in microbanking, as it is clear from the story of the Grameen Bank beginning in Bangladesh, depends on empowering local networks and organizing them as accountability structures ensuring the compliance of all participants. (Yunus, 2007) If I obtain a loan because I have been approved for it by the members of my local community, I am more likely to pay it back, when any default would result in foreclosing opportunities for other members of the community to qualify for their own loans. Similar insights emerge from the best practices of well managed credit unions and cooperatives. (Rothlin and McCann, 2015, pp. 23-45 and 441-463).

For such a scheme to work, there must be access to capital, that is, the credit cooperative or credit union must create a working relationship with "higher" institutions, private or public, among them conventional banks as well as agencies of the State, any of which can and must be convinced that using microbanking strategies to lend money to the poor is no riskier than lending money to the rich. The practical challenge for integrating microbanking and credit cooperatives into a new paradigm of economics, is how to scale up from promising local successes to a national or global strategy of institution building for economic empowerment.

Studying the histories of microbanking enterprises reveals that the moral hazards involved do not simply revolve around the poor who receive such loans. Even greater risks stem from the ways in which administrators live up to their responsibilities, especially if they make loans to themselves, friends and family members. The same rules on repayment must be enforced on them, as well as on any poor members of local borrowing and lending networks. Here, too, the Principle of Subsidiarity helps clarify the perennial challenge of fighting corruption as indispensable for long-term success. If the managers or business leaders use credit cooperatives for their own benefit, ignoring the purposes for which they were founded, there is corruption with its predictable consequences.

There is also the risk, inherent in success, that the State may seek to expropriate microbanking enterprises, usurp their resources, restrict their access to capital both foreign and domestic, if the State finds it convenient to reorganize them as government agencies. The sad history of credit unions in the Philippines during the Marcos dictatorship (1972-1981) provides ample evidence of the challenges faced when microbanking institutions operate in an environment that no longer respects the Principle of Subsidiarity.

Third Key Idea: Subsidiarity as the Core of a New Economic Paradigm

Finally, the Principle of Subsidiarity will find further applications in the New Economic Paradigm, which must focus, in light of the COVID pandemic and its aftermath, on the global problem of poverty and what must be done to overcome it. The observations of Pope Francis, in *Laudato Si'* (2015) and *Fratelli Tutti* (2020), make it clear that poverty in our world today is not a natural condition, to be endured like other acts of God, like typhoons and earthquakes. Poverty is the result of systemic failure, the corruption of economic systems, their manipulation to favour the interests of some groups over others. The rich are no more moral or deserving than are the poor. Human dignity, if it is truly understood, must inspire us to set aside traditional prejudices against the others who do not share in our prosperity, whether those prejudices are based on race, creed or colour. If a new economic paradigm is to fulfil its promise, we must learn to trust empowerment strategies that are open to all people, and not just to those who are near and dear to us personally. Creating a new economic paradigm at its root is a spiritual struggle, calling on all people to repent their complicity in unjust social structures in order to work with all others to discover new ways of sharing the gifts that God has given us.

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