

Can You Make a Pet of Leviathan? The Implications of State Ownership for the Common Good

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Abstract

We ask whether and how state ownership contributes to the Common Good. We answer this question by examining arguments from economics through the lens of Catholic Social Teaching. The Compendium of the Social Doctrine of the Church defines the Common Good as “the sum total of social conditions which allow people, either as groups or as individuals, to reach their fulfillment more fully and more easily”. These conditions are analogous to what economists call “institutions” – formal and informal rules and constraints that structure social and economic interaction. One institution – the right to private property – is fundamental to a society ordered toward the Common Good. Pope Leo XIII says in *Rerum Novarum*, “every man has by nature the right to possess property as his own”. In the same text, Pope Leo warns us against control in the hands of the state.

While a century of academic research on private versus state control of economic activity largely confirms the observations Pope Leo XIII made in 1891, state ownership persists in both developed and developing economies. What has changed since *Rerum Novarum* is the nature of state participation in the private sector. State-owned enterprises (SOEs) are no longer the exclusively government-controlled, wholly instruments of central industrial planning in the socialist mold contemplated by *Rerum Novarum* and economists alike. Today, many governments couch their ownership within the property rights structures of capitalism by owning partial stakes in SOEs in which a minority or majority interest is publicly traded, or by investing passively through sovereign wealth funds.

Our paper critically assesses modern SOE participation in the global economy through the lens of Catholic Social Teaching. We map the evolution of Catholic Social Teaching on issues related to the state and property rights institutions and the parallel evolution of state participation in the economic sector over time.