

# Free Markets and Public Interests in the Pharmaceutical Industry: A Comparative Analysis of Catholic and Reformational Critiques of Neoliberal Thought

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The rise of liberal market economies, propagated by neoliberal free market thought, has created a vacant responsibility for public interests in the market order of society. This development has been critiqued by Catholic social teaching (CST), forcefully arguing that governments and businesses should be directed to the common good. In this debate, no attention has yet been given to the Reformational tradition and its principle of sphere sovereignty, which provides guidelines on the responsibilities of governments and companies for the public interest of society. This article analyzes the differences and similarities between CST and the Reformational philosophy in their critiques of the neoliberal free market perspective of Hayek. We apply the three perspectives to the case of orphan drugs in the pharmaceutical industry and show that CST and the Reformational philosophy offer valuable insights in correction to Hayek's views on the responsibilities of governments and companies for public health interests.

**Key Words:** Catholic social teaching, neoliberalism, Hayek, Reformational philosophy, sphere sovereignty, subsidiarity

Since the 1970s, the importance of free market mechanisms has increased (Buch-Hansen & Wigger, 2010). This development has been propagated by the neoliberal thought of, among others, Friedrich von Hayek and Milton Friedman (Peterson, 2014: 83). In this article, we focus on the neoliberal free market perspective of Hayek. His economic theories have gained significant influence in economic politics in Western Europe and the United States since the 1980s and laid some cornerstones for later neoliberal political thought by advocating economic freedom and individual freedom in a spontaneous market ordering of society. According to Hayek, the spontaneous market order should guarantee that the public interest of society is best served by letting individuals pursue their self-interests. Consequently, the responsibilities of governments and companies for public interests were minimized.

Business Ethics Quarterly 33:4 (October 2023), pp. 704–731. DOI:10.1017/beq.2022.9

Published by Cambridge University Press on behalf of the Society for Business Ethics.

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However, the market order does not automatically serve the public interest (Rhonheimer, 2012), defined as interests that people have in common as members of society's public domain (Barry, 1964/2010: 190, 223). Since the market mechanism has been applied to more domains within society, the safeguarding of public interests has become increasingly difficult (Bettignies & Lépineux, 2009). For this reason, the neoliberal free market perspective has been critiqued by Catholic social teaching (CST). CST can be considered the most elaborate and developed social teaching from a religious point of view (Booth, 2007: 31), as it contains concepts that provide guidelines on the responsibilities of societal structures for the public interest. It has forcefully argued that governments and businesses should be directed to the common good (Dembinski, 2011; Peterson, 2014). The state has the duty to watch over the common good and ensure that every sector of social life, including the economic one, contributes to achieving that good, while respecting the rightful autonomy of each sector (Pope John Paul II, 1991: §11). Also, companies should be directed to the common good (Bettignies & Lépineux, 2009; Calvez & Naughton, 2002; Melé, 2002, 2009; O'Brien, 2009; Sison & Fontrodona, 2012). The allocation of responsibilities between governments and companies is regulated by the principle of subsidiarity. This principle means that higher communities should not take on the responsibilities of lower communities. It also means that if companies cannot take responsibility for the common good, government should help them subsidiarily (Assländer, 2011; Kelly, 2004).

In the debate about the respective responsibilities of governments and companies for the public interest, no attention has yet been given to the Reformational philosophy (abbreviated by RPH) and its principle of sphere sovereignty. Reformational philosophy is part of the Protestant tradition, which is the main counterpart of Catholicism in Christianity. Although this philosophy has its origin in the Netherlands (Dooyeweerd, 1969/1984c, 1979; Kuyper, 1880), it is in an international context (Baus, 2006; Henderson, 2013) the most elaborate Protestant social philosophy that has been applied to social, political, and cultural issues (Chaplin, 1993; Costa, 2019; Harvey, 2016). The Reformational philosophy of sphere sovereignty provides guidelines on the responsibilities that governments and companies have for the public interest, by focusing on the nature of the responsibilities of societal structures, and sheds new light on the debate compared to CST.

Sphere sovereignty means that each societal structure is sovereign in the way that it realizes its responsibilities. Governments have a responsibility for public justice, which is closely related to the public interest of society (Chaplin, 2007). The state should harmonize and weigh public and private interests against each other in a retributive sense, based on recognition of the sphere sovereignty of the various societal structures (Dooyeweerd, 1969/1984c: 446). Companies, too, have their own nature and responsibilities. In *A New Critique of Theoretical Thought*, Dooyeweerd (1969/1984a, 1969/1984b, 1969/1984c) defines the purpose of companies as solving scarcity in a responsible way. Given their economic function, they do not have a direct responsibility for the public interest; however, because they are active in all aspects of society (economic, social, legal, ethical, etc.), companies should consider (issues in) society (Goudzwaard, 1998).

CST and RPH mount similar critiques of the neoliberal free market view on the responsibility of governments and companies for public interests. Nevertheless, they have different ontological foundations and different views on the responsibility of governments and companies for public interests. In this article, we analyze these similarities and differences and consider how both philosophies can contribute to evaluating the responsibility of governments and companies for public interests. The central research questions (RQ) in this article are therefore as follows:

- RQ1. How do the neoliberal free market perspective of Hayek, CST, and RPH conceive government and company responsibility for the public interest?
- RQ2. How do CST and RPH criticize the neoliberal free market perspective of Hayek?
- RQ3. How do CST and RPH differ in their views on government and company responsibility for the public interest?
- RQ4. How can we make practical use of CST and RPH in designing the responsibilities of governments and companies in correction of the neoliberal free market perspective of Hayek?

In what follows, we first introduce an overview of the implications of the neoliberal free market view of Hayek, of CST, and of RPH for government and company responsibility for public interests (RQ1). We analyze the similarities of the CST and RPH critiques of the neoliberal free market perspective of Hayek (RQ2) as well as some major differences between CST and RPH (RQ3). Then, using a case study of orphan drugs in the pharmaceutical industry, we illustrate the practical relevance of CST and RPH for establishing the responsibilities of government and companies in correction of the neoliberal free market perspective of Hayek (RQ4).

### THREE PERSPECTIVES ON THE RESPONSIBILITY OF GOVERNMENTS AND COMPANIES FOR PUBLIC INTERESTS

In this section, we present an overview of the implications for government and company responsibility for public interests of the neoliberal free market perspective of Hayek and of the approaches of CST and RPH. The overview is structured by four questions. [Table 1](#) explains briefly, per question, the different positions in the neoliberal free market perspective of Hayek, CST, and RPH. In the rest of this section, we explain the details.

#### *Neoliberal Free Market Perspective of Hayek*

Graafland and Verbruggen (2021) characterized *neoliberalism* (also called the *free market perspective*) as a rather vague and often highly contested concept. According to Ryan (1993), neoliberalism is the political ideology of neo-Austrian theorists who aimed at reinvigorating the classical liberalism of Locke and Smith. Ver Eecke (1982) described neoliberalism as a particular kind of liberalism marked by a deep-seated commitment to *laissez-faire* economic policies. Besides neo-Austrians,

**Table 1: Overview of Three Perspectives on Responsibilities for Public Interests**

Question	Neoliberal free market perspective of Hayek	Catholic social teaching	Reformational philosophy
<b>How are public interests promoted?</b>	They are promoted if individuals pursue their own interests in a market order of society	They are promoted if societal structures are directed to common good.	They are promoted if societal structures act from a simultaneous realization of norms, led by their qualifying function.
<b>What are the responsibilities of social actors?</b>	Responsibilities of social actors are defined from the perspective of the market order of society.	Responsibilities of social actors are related to common good.	Responsibilities of social actors are related to their qualifying functions.
<b>What is the responsibility of companies for the public interest?</b>	Companies promote the interest of society best by pursuing their own interests—maximizing their long-term profits—in a spontaneous market order.	Companies have to promote the common good.	Companies should solve scarcity in a responsible way by a simultaneous realization of norms.
<b>What is the relation between responsibilities of governments and of other social actors?</b>	The responsibility of individuals in the market order is central. Governments develop general laws to develop a spontaneous market order and do not intervene in the market with respect to the public interest.	Responsibilities should be taken on the right level of society with regard to common good. Government may intervene subsidiarily if social actors cannot take their responsibility for the common good.	Social actors have their own responsibilities related to their qualifying functions. Governments are responsible for public justice and may intervene in the market if public justice is violated.

such as Mises, Hayek, and Schumpeter, it also refers to monetarists and other economists that defend “free markets,” such as Friedman (1962/1982). Thorsen (2010) concludes that neoliberalism can be perceived as a set of ideas on how the relationship between the government, individuals, and the market ought to be organized that links to a rather heterogeneous set of political theories.<sup>1</sup>

Notwithstanding the diversity of its usage in political theory, neoliberalism has a clear view on economic institutions. Specifically, it proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills by an institutional framework characterized by strong private property rights, free markets, and free trade (Harvey, 2005). The neoliberal economic institutional perspective is reflected in the so-called economic freedom index, codeveloped by Friedman, among others. This index consists of five subconstructs: small government (low

<sup>1</sup> Boas and Gans-Morse (2009), moreover, argue that the connotation of the concept of neoliberalism changed over time. Before the 1970s, it had a positive connotation and referred to the views of the German Freiberg School, which accepted the importance of markets but rejected strict free market policies. During the 1970s, the connotation gradually changed and acquired a negative connotation of critics who refer to it as a radical free market ideology and policy orientation.

general government consumption, low government transfers and subsidies, no government enterprises or investment, and a low top marginal tax rate); rule of law (protection of property rights, enforcement of contracts, independent judiciary, and an impartial court system); sound monetary policy (low money growth, freedom of citizens to own foreign currency bank accounts); freedom to exchange goods and services internationally (absence of tariffs, quotas, hidden administrative restraints, and exchange rate and capital controls); and freedom from government regulation of credit, labor, and product markets (Gwartney, Lawson, & Block, 1996).

In this article, we focus on the neoliberal free market perspective of Hayek, because he has developed a broad range of theories about philosophy, politics, and economics (Hayek, 1960/1967) from which we get access to his ideas about the responsibilities of governments and companies in relation to the public interest. Hayek's ideas had an enormous political and economic influence on, among others, Margaret Thatcher and Ronald Reagan (Butler, 2012).

According to Hayek, social order, just like order in nature, must largely be a matter of self-regulating, spontaneous processes. Such processes involve social institutions and procedures that have grown naturally over time. The actions of free, self-interested individuals in this spontaneous social order result in a certain harmony. These self-regulatory processes are also the essence of the market economy. Hayek (1976/1982: 3) describes the market order as a method of collaboration that requires agreement only on means and not on ends. A spontaneous market order is an order in which the individual is free because the individual is bound only by general rules of just conduct (Hayek, 1976/1982: 85). Hayek (1948: 46) also stresses the importance of knowledge: competition must be seen as a process in which people acquire and communicate knowledge (Hayek, 1979/1982: 68). In a system where the knowledge of the relevant facts is dispersed among many people, prices can coordinate the separate actions of different people. The price system is a mechanism for communicating information (Hayek, 1945: 526). Thus the spontaneous market order "reconciles different knowledge and different purposes which, whether the individuals be selfish or not, will greatly differ from one person to another. . . . While following their own interests, whether wholly egotistical or highly altruistic, individuals will further the aims of many others, most of whom they will never know" (Hayek, 1976/1982: 110).

#### Implications for Government and Company Responsibility for Public Interests

From the perspective of Hayek (1944/2001: 60; 1976/1982: 68), terms like *common good*, *general welfare*, and *social justice* have no sufficiently definite meaning to determine a particular course of action. In a free society, the prime condition of the general good is the spontaneous order of society, facilitating the pursuit of unknown individual purposes (Hayek, 1976/1982: 5, 6). The interest of society will be best promoted when individuals pursue their self-interests in a spontaneous market order. Justice, that is, the generally applicable rule, must prevail over the particular (though perhaps also generally felt) desire (Hayek, 1976/1982: 41). Social justice has no meaning or content within an economic order based on the market (Hayek, 1976/1982: 68).

The tasks of governments must be directed toward the conditions for the preservation of a spontaneous order, enabling individuals to provide for their needs in ways not known by authority (Hayek, 1976/1982: 2). An important basis of a free society is the rule of law, which means that government should commit itself to rules that have been established and announced in advance. This makes it possible to predict with fairly great precision how governments will use their coercive forces in certain circumstances, enabling individuals to organize their own personal affairs based on that knowledge. In this way, everyone is free, within the known rules of the game, to pursue their personal purposes in the certainty that the powers of the government will not be used to frustrate the activities of the individual (Hayek, 1944: 76). What the rules, and the order they serve, can do is no more than to increase opportunities for people generally. If we do the best we can to increase opportunities for any person picked at random, we will achieve the most we can, but certainly not because we have any idea of the sum of the utility of pleasure we have produced (Hayek, 1976/1982: 29):

A policy making use of the spontaneously ordering forces therefore cannot aim at a known maximum of particular results, but must aim at increasing, for any person picked out at random, the prospects that the overall effect of all changes required by that order will be to increase his chances of attaining his ends.... The common good in this sense is not a particular state of things but consists in an abstract order which in a free society must leave undetermined the degree to which the several particular needs will be met. The aim will have to be an order which will increase everybody's chances as much as possible not at every moment, but only "on the whole" and in the long run (Hayek, 1976/1982: 114, 115).

The general welfare at which a government ought to aim cannot consist of the sum of individual welfare of people for the simple reason that government or anybody else can know neither those nor all the circumstances determining them. It is for this reason that government should not intervene in the market with respect to the public interest of society. It also means that government should not aim to meet particular needs; there is no basis for determining such a particular course of action.

Although Hayek held that the basic role of government was to maintain the "rule of law," he still defended some actions of government. For example, he acknowledged that government should provide for collective goods: "sometimes, it is either technically impossible, or it would be prohibitively costly, to confine certain services to particular persons, so that these services can be provided only for all (or at least will be provided more cheaply and effectively if they are provided for all)" (Hayek, 1979/1982: 44). Furthermore, he defended government provisions for a minimum safety net, because a lack of basic security for people is the gravest threat of freedom: "there can be no doubt that some minimum of food, shelter, and clothing, sufficient to preserve health and the capacity to work, can be assured to everybody.... Nor is there any reason why the state should not assist ... the case for the state's helping to organize a comprehensive system of social insurance is very strong" (Hayek, 1944/2001: 124, 125). He defended the right of governments to use coercive means to force "the public to provide for the extreme needs of old age, unemployment, sickness, etc., irrespective of whether the individuals could and

ought to have made provision themselves” (Hayek, 1960/2011: 406). According to Hayek (1944/2001: 123, 124), guaranteeing the “minimum safety net” may not be seen as intervening in the market. It is a condition for individual freedom that can be provided for all outside of and supplementary to the market system.

According to Hayek, the purpose of companies is the long-term maximization of the return on the capital placed under their control. In the pursuit of this end, a framework of general moral and legal rules constrains companies (Hayek, 1960/1967: 300, 301). Hayek wanted to limit the power of corporations to where they are beneficial and confined them to one specific goal: the profitable use of the capital entrusted to the management by the stockholders. If companies use their resources to specific ends other than the long-run maximization of the return on capital, they tend to create undesirable and dangerous powers (Hayek, 1960/1967: 300). According to Hayek, companies should not act in the public interest of society. This would turn corporations from institutions serving the expressed needs of individual men into institutions determining which ends the efforts of individual men should serve (Hayek, 1960/1967: 305). The acting of companies in the service of the public interest appears dangerous for Hayek in its short- and long-term consequences. The short-term consequence is the increase in an irresponsible power of companies over cultural, political, and moral issues. In the long run, the effect is bound to be increased control of corporations by the power of the state—“the more it becomes accepted that corporations ought to be directed in the service of specific ‘public interests,’ the more persuasive becomes the contention that, as governments are the appointed guardian of the public interest, government should also have power to tell the corporations what they must do” (Hayek, 1960: 312).

### *Catholic Social Thought (CST)*

In CST, there is a close relationship between human dignity, solidarity, common good, and subsidiarity, and connected with these four basic principles is the necessity to pursue social justice, as CST defines it (Hittinger, 2008). The meaning of subsidiarity in CST cannot be described without explaining these other notions in CST. The dignity of persons is a central and important notion. The existence of social beings distinct in dignity, reducible neither to the individual nor to the state, stands at the outset of Catholic social doctrine (Hittinger, 2008: 105). As the Second Vatican Council (1965: section 29) expressed in *Gaudium et Spes*, “human institutions, both private and public, must labor to minister to the dignity and purpose of man.”

The principle of solidarity states that all social actors (groups and their individual members) are responsible for the common good (Congregation of the Doctrine of the Faith, 1986: note 73). In CST, common good is a value connected to human dignity in the community of people. In *Gaudium et Spes*, the common good is defined as “the sum of those conditions of social life which allow social groups and their individual members relatively thorough and ready access to their own fulfillment” (Vatican Council II, 1965: section 26). It concerns the conditions of social lives that are necessary for people to flourish (section 26). Common good in CST is about membership and participation in a social order (Hittinger, 2008: 115). The *Catechism of the Catholic Church* mentions three essential elements of common good: the common

good presupposes respect for the person as such; it requires the social well-being and development of the group itself; and the common good requires peace, understood as the stability and security of a just order (Catholic Church, 2012: sections 1907–9). All social actors, including the state, are responsible for the common good, with different responsibilities. Solidarity, another important principle in CST, “highlights in a particular way the intrinsic social nature of the human person, the equality of all in dignity and rights and the common path of individuals and peoples towards an ever more committed unity” (Pontifical Council for Justice and Peace, 2008: section 192). The principle of solidarity states that every person and community has the duty to contribute to the common good of society at all levels (Congregation of the Doctrine of the Faith, 1986: note 73).

In CST, social justice is closely related to common good, solidarity, and subsidiarity. Social justice is about the ordering of members to a society and of societies to still wider societies (Hittinger, 2008: 121). In *Quadragesimo Anno*, also called the social justice encyclical (Booth & Petersen, 2020: 17), the common good, social justice, and the distribution of goods are related (Pope Pius XI, 1931: sections 57–58). A just distribution of goods should arise when people in the economic sphere treat each other justly, always with a view to common good. This is not the responsibility only of the government. “Although social justice is relevant to the state, the practice of the virtue is relevant to all social groups and to individuals. It is the responsibility of the state to assist other social groupings in meeting their obligations in accordance with the principle of subsidiarity” (Booth & Petersen, 2020: 19).

The aforementioned principles in CST are closely related to the principle of subsidiarity. Although subsidiarity harkens back to *Quadragesimo Anno* (Pope Pius XI, 1931: sections 79, 80), in the context of this article, we prefer the definition of subsidiarity in John Paul II’s (1991: section 48) *Centesimus Annus*, which explicitly matches subsidiarity with the common good:<sup>2</sup> “a community of a higher order should not interfere in the internal life of a community of a lower order, depriving the latter of its functions, but rather should support it in case of need and help to coordinate its activity with the activities of the rest of society, always with a view to the common good.” Subsidiarity as an ethical principle means that communities of a higher order should not take on the responsibilities of communities of a lower order. The community with the highest order is the state (at the international level); the lowest community is the family. It also means that higher communities should offer support to lower communities in their pursuit of the common good, with the aim of making the community self-supportive again. Subsidiarity presupposes social actors having their proper responsibilities with regard to the common good and is the principle that, when aid is given, it does not remove or destroy the authority or functions proper to the society being assisted (Hittinger, 2008: 110, 113).

Subsidiarity is always connected with human dignity, solidarity, social justice, and common good. “Subsidiarity is first and foremost a form of assistance to the human person via the autonomy of intermediate bodies. . . . Subsidiarity respects

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<sup>2</sup> We thank a reviewer for suggesting this definition rather than the definition in *Quadragesimo Anno*.



personal dignity by recognizing in the person a subject who is always capable of giving something to others” (Pope Benedictus XVI, 2009: section 57). Common good assumes the dignity of people and is about their responsibility as members of society. The order of the common good is essentially an order of freedom related to the spheres of responsibility of the individuals and of societal structures in society (Messner, 1949/1965: 129). Subsidiarity is about arranging things in such wise that responsibilities of social actors are harmonized with regard to the common good. If these responsibilities proper to the parts are destroyed, one has violated social justice (Hittinger, 2008: 115) and solidarity.

#### Implications for Government and Company Responsibility for Public Interests

In CST, the responsibilities of all social actors are related to the common good (Congregation of the Doctrine of the Faith, 1986: note 73); that means that both companies and governments should be directed to the common good. In *Centesimus Annus*, Pope John Paul II (1991) describes the purpose of business as 1) to make profits, 2) to be a community of persons who in various ways are endeavoring to satisfy their basic needs, and 3) to be a particular group at the service of the whole of society. Profit is a regulator of business, but it is not the only one; other human and moral factors must also be considered (Pope John Paul II, 1991: section 35). It is important for the continuity of companies to make profit, but they should not maximize profits at any cost. The legitimate pursuit of profit should be in harmony with the protection of the dignity of the people who work at different levels in the same company. A company must be a community of solidarity that is not narrowly focused on its own company interests but contributes to human dignity and the common good (Pontifical Council for Justice and Peace, 2008: section 340). There are different ways for companies to contribute to the common good, for example, by the production and sale of products and services that are genuinely useful for human development, by the creation of jobs under fair conditions, by generating and distributing wealth, and by providing continuity for the company itself (Melé, 2002: 198). Firms serve society through their specific activity of providing goods and services. The production of goods and services should be useful for the growth of each person and should contribute to the common good of society. Guitián (2015: 63, 64) stresses the meaning of service from the perspective of CST as an act of assistance to others and the community that stems from an internal commitment, based on the love for others, to assist or help others, with respect to human dignity, for example, through one’s area of work.

Also, governments should be directed to the common good. The political community exists for the sake of the common good, in which it finds its full justification and significance and the source of its inherent legitimacy (Vatican Council II, 1965: section 74). It is in the *political community* that the most complete realization of common good is found. “It is the role of the state to defend and promote the common good of civil society, its citizens, and intermediate bodies” (Catholic Church, 2012: 1910). *Centesimus Annus* stresses that the state has the duty of watching over the common good and of ensuring that every sector of social life contributes to achieving that good, while respecting the rightful autonomy of

each sector (Pope John Paul II, 1991: section 11). The political community exists not to support the spontaneous market order of society but to achieve the full growth of each of its members, called to cooperate steadfastly for the attainment of the common good (Pontifical Council for Justice and Peace, 2008: section 384). This does not mean that the state should solve every social problem. On the contrary; the state's intervention is limited, the focus is on the responsibilities of the individual, the family, and society; and the state can intervene subsidiarily if a community is not able to take responsibility for the common good, for example, by government regulation (see also the following case study). This is a correction mechanism that prevents issues of common good not being addressed.

### *Reformational Philosophy (RPH)*

In the debate about government and company responsibility for the public interest, little attention has been paid in the literature to the Reformational tradition and its principle of sphere sovereignty. The term *sphere sovereignty* was introduced in the inaugural lecture of Abraham Kuyper at the founding of the Vrije Universiteit Amsterdam in 1880. In this lecture, Kuyper explained that the VU Amsterdam must be free from regulation by state and church. In general, sphere sovereignty expresses the principle that the authority in a particular sphere should be independent from the authority in other spheres.<sup>3</sup> The different spheres of life derive their existence, authority, and responsibilities not from the state but from the grace of God (Kuyper, 1898/1931: 98). In this article, we focus on sphere sovereignty pertaining to the structure of the state and economic enterprise.

The Reformational philosophy and the concept of sphere sovereignty have been further developed by Herman Dooyeweerd, a Dutch philosopher and professor at the Vrije Universiteit Amsterdam, and linked to a teaching of modal aspects. According to Dooyeweerd, reality is a meaningful divine creation. The meaning of reality is formed by different modal aspects (ways of being), manifesting in all parts of reality (numeral, spatial, kinematic, physical, biotic, psychic, analytical, historical, linguistic, social, economic, aesthetic, juridical, ethical, and pistical). All these different aspects or functions are irreducible to each other but also function in relation to each other. Those aspects that relate to human interaction (analytical, historical, linguistic, social, economic, aesthetic, juridical, ethical, and pistical) are regulated by a norm.

Societal structures function in all modal aspects of society. "The state, for example, functions spatially in possessing territory; logically, in constituting a realm of

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<sup>3</sup> Kuyper's vision has also been called neo-Calvinism because it goes back to Calvin's ideas, from which Kuyper highlighted in particular that man lives throughout life without the intervention of anybody before God, *coram Deo*. This aspect is also found in the principle of sphere sovereignty, where all spheres are directly responsible to God, without mediation by the Church. More than any Protestant, Kuyper succeeded at bringing together the Reformational theology of Calvin (especially creation and redemption) and life in the modern era (Bratt, 2013: 18), particularly in his *Lectures on Calvinism* (Kuyper, 1931). For more details about the background of the Kuyperian tradition and the relation between sphere sovereignty and the theology of Calvin, see also Bartholomew (2017). For an extensive description of how Kuyper contributed to the split between the Reformed Church and the Dutch Reformed Church, see Koch (2007: esp. chapters 2, 5, and 8).

public discourse; socially, in respecting diplomatic protocols; economically, in striving to balance its budget; aesthetically, in working for harmony among contending social groups; pistically, in confessing some views of the origin of political authority” (Chaplin, 2011: 87, 88).

#### Implications for Government and Company Responsibility for Public Interests

According to Dooyeweerd (1969/1984c: 284), the responsibilities of societal structures are shaped by what he called a *qualifying function*,<sup>4</sup> related to one of the aspects. This qualifying function determines the distinct identity of a societal structure and guides how the other aspects contribute in their own ways to the proper functioning of this social structure (Chaplin, 2011: 88).<sup>5</sup> Each societal structure must respect the sphere sovereignty of other societal structures.

The qualifying function of the state is related to the legal aspect and concerns public social justice between societal structures (Dooyeweerd, 1969/1984c: 445). Public social justice is closely related to the public interest, which “binds the entire activity of the State to the typical leading idea of public social justice in the territorial relations between government and subjects” (Dooyeweerd, 1969/1984c: 445). When public justice is done, the legitimate juridical interests of all persons and structures within a state’s territory will be satisfied insofar as they are rendered what is their due and insofar as the satisfaction of any such interests does not infringe those of others (Chaplin, 2007: 134). The political activity of the state should always be guided by the purpose of public justice (Costa, 2019: 16; Dooyeweerd, 1979: 150), with the recognition of the sphere sovereignty of the various societal structures (Chaplin, 2007; Dooyeweerd, 1969/1984c: 446). The state is a public community with coercive power to execute public justice, as equally sovereign as the many other societal spheres (Costa, 2019: 16). Chaplin (2007: 130) summarizes the responsibility of the state as the realization of a harmonious juridical balance in the public realm. On the basis of its public legal power, the state can open up to the individual person a legal sphere of freedom, providing that person with the guarantee of freedom from oppression by other communities (Dooyeweerd, 1997: 98). The realization of the nature of the state is not automatic; it is the normative vocation of an institution led by responsible human actors (Chaplin, 2015: 46). The state’s power is limited, as the state is bound to the principle of sphere sovereignty of other societal structures (Dooyeweerd, 1969/1984c: 445, 446).

<sup>4</sup> Dooyeweerd’s use of *qualifying function* might be confusing, because *qualifying* can also mean “to be entitled to a particular benefit or privilege” or “to add reservations to an assertion,” neither of which is intended by Dooyeweerd. Dooyeweerd uses the term *qualifying function* in the sense of *typifying* or *distinctive function*. We will keep the term *qualifying function*, because this is the term that Dooyeweerd uses.

<sup>5</sup> According to Dooyeweerd, the qualifying functions of societal structures are created in reality and need to be brought in existence—positivized—by human action. The qualifying functions of societal structures are discoverable because they “urge themselves” on human experience. However damaged a particular societal structure may have become, human beings cannot alter the qualifying function and modal aspects that make possible its factual existence (Chaplin, 2011: 86, 87). Concrete societal structures are positivized in enormously varied ways by culturally formative human beings (Chaplin, 2011: 92). This explains why societal structures are given different forms in different countries. We refer the reader to Chaplin (2011: chapters 6 and 7) for more about Dooyeweerd’s analysis of the qualifying functions of societal structures.

The company has its own sphere sovereignty. This means that the company has its own authority structures and laws and rules, with which other societal structures are not allowed to interfere. According to Dooyeweerd, the company is directed by an economic qualifying function. The norm of the economic aspect is “the sparing or frugal mode of administering scarce goods, implying an alternative choice of their destination with regard to the satisfaction of different human needs” (Dooyeweerd, 1969/1984b: 66). Dooyeweerd describes frugality as “the avoidance of superfluous or excessive ways of reaching our aim” (67). “Sparing” and “frugal” are the correlatives of “scarce” and refer to our awareness that an excessive or wasteful satisfaction of a particular need at the expense of other, more urgent needs is uneconomical (66). The qualifying function of the company can therefore be described as the responsible resolving of scarcity. Resolving the economic problem asks for “the balancing of needs according to a plan, and the distribution of the scarce means at our disposal according to such a plan” (66).

However, a company does not function only in the economic aspect. A company is also a community of people who must be treated with respect and create collegiality (the norm of the social aspect) (Zijlstra, 2004). The company must also respect the norm of the law (legal aspect) and must respect the norm to deal well with the environment (ethical aspect). Consequently, companies should make decisions based on the idea that they simultaneously respect several norms. Goudzwaard (1998: 11) calls this the simultaneous realization of norms. A company that only answers to economic norms does not do justice to reality. Although companies do not have a direct responsibility for the public interest, they are directed to society from the perspective of a simultaneous realization of norms.

#### *Critiques of the Neoliberal Free Market Perspective by CST and RPH*

CST and RPH share a similar critical stance in relation to the neoliberal free market perspective of Hayek. According to Hayek, the spontaneous market order should guarantee that the interest of society is best served by letting individuals pursue their self-interests. However, if the market order cannot or will not serve the interests of society, the room for correction to safeguard the common good of communities and society is limited. In the neoliberal free market perspective of Hayek, much attention is paid to the “rule of law” and the protection of property rights. For social issues, the government should provide only a minimum safety net.

Both CST (Dembinski, 2011; Peterson, 2014) and RPH (Zijlstra, 2013) criticize the neoliberal free market perspective for the neglect of responsibility for public interests and the market-oriented interpretation of the responsibilities of societal structures. CST argues that markets should be embedded in morally developed societal structures, which are directed to “common good.” In CST, all social actors, including companies, should strive for common good. Governments may intervene subsidiarily only when companies cannot or will not take on their responsibility. The market by itself does not ensure a good society. Tendencies toward individualism stimulated by the market need counterbalancing by institutional and societal structures and responsibilities of morally developed communities.

RPH stresses the responsibilities of societal structures based on their qualifying function. The economic responsibility of companies in RPH (responsibly solving of scarcity) differs from the economic responsibility companies have according to Hayek (the long-term maximization of the return on the capital placed under their control). The economic responsibility of companies in RPH is normative. According to RPH, an excessive or wasteful satisfaction of a particular need at the expense of other, more urgent needs is uneconomical (Dooyeweerd, 1969/1984b: 66). A company should make products that fit the most urgent needs of people. This economic norm does not fit to the free market perspective of Hayek. In RPH, societal structures play an important role in keeping society in balance by offering a counterweight to the interests of other societal structures, based on their own responsibility.

Furthermore, RPH emphasizes that companies should not only obey legal and moral rules but act from a simultaneous realization of norms. In Hayek's (1960: 300, 301) perspective, the pursuit of the maximization of returns is also constrained, namely, by a framework of general moral and legal rules. This differs from the acting of companies from the perspective of the simultaneous realization of norms in RPH, as this includes a broader set of norms (social, juridical, ethical, aesthetical, and pistic). For example, the duty of care for employees according to Hayek predominantly means respecting the legal contract with the employees. In RPH, the duty of care for employees is based on respect for employees (social aspect), paying fair wages (also if not required by law), and treating the natural environment where the employee lives with respect (ethical aspect).

Both principles thus provide a different interpretation of the responsibilities of governments and companies than Hayek and provide important tools for setting boundaries to the actions of societal structures. According to CST, the boundaries are set by common good and subsidiarity. According to RPH, the boundaries are set by the specific nature of societal structures as defined by their qualifying function.

#### Differences between CST and RPH

Although CST and RPH have similar critiques of the neoliberal free market view of Hayek on the responsibility of governments and companies for public interests, they are also different in their views on the responsibility of governments and companies for public interests, views that are rooted in the ontological foundations of both principles.

First, although both CST and RPH acknowledge a divinely created order of reality, they differ in their perception of this order. In CST, the ordering of reality is a hierarchical-teleological ordering in which social relationships are directed to the common good. The principle of subsidiarity is primarily about the relationship between the state and other societal structures. The principle of sphere sovereignty presupposes a nonhierarchical relationship between different societal structures.

The way in which both philosophies perceive the order of society has consequences for the way they interpret the responsibilities of societal structures. From the principle of subsidiarity, the responsibilities of all societal structures are derived from the notions of solidarity and common good. As CST relates the responsibilities for the common good to all social actors in a hierarchical social order (Congregation

of the Doctrine of the Faith, 1986: note 73), it is more explicit about the way societal structures contribute to human flourishing. In the Reformational philosophy, there is less attention to the joint functioning of societal structures for the promotion of the interests of society as a whole. Wolterstorff (1983) argued that Dooyeweerd's theory of societal structures does not make sufficiently explicit how societal structures promote human flourishing. Dooyeweerd emphasized the human being who is there to unfold societal structures, rather than the societal structures being there to make humanity flourish. Indeed, pluralistic theories, such as RPH, find it more difficult to define a common perspective on the common good. The focus of RPH is not primarily on the interests of society but on the plurality of societal structures with their specific nature and responsibilities, answering to the norms given in reality and, in this way, doing justice to reality. The principle of subsidiarity, however, is more explicit in the emphasis on the common good that is realized by and within social contexts.

The ordering of societal structures also has consequences for the interpretation of common good and the public interest. Both concepts have their own meaning within the context of their tradition. From the perspective of CST, the common good is related to the responsibilities of all societal structures and is therefore not only related to the responsibility of the state. As a result, the concept of common good cannot be used to differentiate between the nature of the responsibilities of different societal structures. All societal structures should contribute to the common good of society, always in accordance with human dignity and directed to the social well-being and flourishing of individuals and societal structures, and toward peace. The specific contribution of business, schools, families, and other societal structures toward the common good is in accordance with their specific mission. For example, "the purpose of a business firm is not simply to make a profit, but is to be found in its very existence as a *community of persons* who in various ways are endeavoring to satisfy their basic needs, and who form a particular group at the service of the whole of society" (Pope John Paul II, 1991: 35). RPH focuses on the nature of responsibilities of each societal structure. It relates the public interest to the intrinsic nature and structure of government and public justice. Public interest is directed to maintain the sphere sovereignty of societal structures, according to their qualifying function, so they can take their own responsibilities. There is no public interest of companies; they have an economic qualifying function that gives direction to the nature of their responsibilities. Common good in CST, therefore, has a different meaning from public interest in Dooyeweerd's thinking, in which the public interest is specifically linked to the nature of governments and concerns public justice between societal structures.

Related to this, CST stresses the importance of social justice and distributive justice for the market economy: "If the market is governed solely by the principle of the equivalence in value of exchanged goods, it cannot produce the social cohesion that it requires in order to function well. Without internal forms of solidarity and mutual trust, the market cannot completely fulfill its proper economic function" (Pope Benedictus XVI, 2009: section 35). The notion of public justice stressed by RPH is not primarily concerned with distributive justice. Governments should weigh

individual and public interests to promote public justice, while taking into account the sphere sovereignty of societal structures.

In summary, responsibilities in CST are derived from the focus of social relationships on the common good, whereas there is less attention to the distinctive nature of the responsibilities of different societal structures. In RPH, there is more emphasis on the nature of responsibilities, but less attention is paid to the focus of societal structures on the common good.

### APPLICATION TO THE PHARMACEUTICAL INDUSTRY

In this section, we analyze the practical implications of the neoliberal free market perspective of Hayek, CST, and RPH in a case study about serving the public interest in the pharmaceutical sector. Recently, the pharmaceutical industry has been negatively covered in the press and in academic publications, for example, regarding the outrageously expensive cost of so-called orphan drugs (drugs for rare diseases that affect small numbers of individuals) (Davies, Fulton, Brook, & Hughes, 2017; Ma, Danta, Day, & Ma, 2018; Prasad, De Jesus, & Mailankody, 2017). This development was encouraged by orphan drug legislation in the United States and Europe that aimed to make the development of such drugs profitable. This legislation increased the volume of orphan drugs (Flostrand, Rodriguez, Maddox, Finch, Belulaj, & Gould, 2016) but also resulted in extremely high prices for some orphan drugs (Mikami, 2017; Wellman-Labadie & Zhou, 2010) as pharmaceutical companies exploited the rules for higher profits (Ferner & Hughes, 2010). An example is the license given for amifampridine, a slightly modified version of the existing drug 3,4-diaminopyridine, an unpatented drug for the treatment of two rare diseases that has been on the market for more than twenty years (Hawkes & Cohen, 2010). After very limited research, a pharmaceutical company obtained this license and has increased prices. As a result, the annual cost per patient has increased from £800–1,000 when using 3,4-diaminopyridine to £40,000–70,000 for the use of amifampridine. According to Spitz and Wickham (2012), pharmaceutical drug costs cannot be justified by R&D costs. They found that between 1988 and 2009, pharmaceutical companies enjoyed substantially higher profit margins than other companies, while investing proportionately less in R&D than other high-R&D firms. Therefore it is suggested that high prices of medicines are primarily related, not to high R&D costs, but to the lack of market competition (Ma et al., 2018).

We selected this case because health is a core issue for the common good in society. Without good health, people cannot flourish. Therefore conflicts between companies oriented at profit making and government easily arise, and this provides an interesting case to illustrate the differences between the three perspectives. Although one orphan drug benefits few people, there are many orphan drugs, and together they affect quite a few people. The injustice done to these groups of people if their medical needs are not met may create societal unrest. Various authors have argued that the interests of pharmaceutical companies are not always in line with the public interest of society (Gagnon, 2013; Rodwin, 2013; Sah & Fugh-Berman, 2013). This raises the question of what public interests are at stake in the

pharmaceutical industry and what responsibility governments and companies have to meet these. The answers to these questions depend on the type of philosophical approach taken.

*Neoliberal Free Market Perspective of Hayek*

From the neoliberal free market perspective of Hayek, public interests cannot be described as interests that people have in common as members of the public domain. Interests, such as medicines being affordable, must be realized through the market. Pharmaceutical companies must maximize their profits for shareholders within legal and moral rules. This could imply that medicines for patients with rare diseases are not developed at all because they are not profitable enough for pharmaceutical companies.

Apart from the minimum safety net of the state, there is no mechanism for safeguarding public health interests if the market does not promote these interests in the neoliberal free market perspective of Hayek. Public health insurances may insure people against the extreme needs of old age and sickness but should not stimulate the development of certain kinds of drugs. By stimulating the production of certain kinds of medicines, or by regulating the prices of specific medicines, governments intervene in the market. This kind of government intervention conflicts with Hayek's defense of general application of rules:

Specific commands ("interference") in a catallaxy create disorder and can never be just . . . . Every act of interference thus creates a privilege in the sense that it will secure benefits to some at the expense of others, in a manner which cannot be justified by principles capable of general application. What in this respect the formation of a spontaneous order requires is what is also required by the confinement of all coercion to the enforcement of rules of just conduct: that coercion be used only where it is required by uniform rules equally applicable to all (Hayek, 1976/1982: 128, 129).

According to Hayek, there can be social problems of a large group, which cannot be solved by governmental intervention (127, 128).

However, Hayek (1979/1982: 88) is critical of high profits realized through powerful monopoly positions because of patents promoted and maintained by governments, as in the case of orphan drugs. In *Law, Legislation and Liberty*, Hayek states that monopolies are not bad in themselves. However, companies may not use their monopoly positions to keep other companies away from the market and thus prohibit them from better serving customers. "Quite generally it can probably be said that what is harmful is not the existence of monopolies that are due to greater efficiency or to the control of particular limited resources, but the ability of some monopolies to protect and preserve their monopolistic position after the original cause or their superiority has disappeared" (Hayek, 1979/1982: 84). Distributing patents for orphan drugs thus cannot be justified on the basis of Hayek's free market view.

The problem of the prevention of monopoly and the preservation of competition is raised much more acutely in certain other fields to which the concept of property has been



extended only in recent times. I am thinking here of the extension of the concept of property to such rights and privileges as patents for inventions, copyright, trade-marks, and the like. It seems to me beyond doubt that in these fields a slavish application of the concept of property as it has been developed for material things has done a great deal to foster the growth of monopoly and that here drastic reforms may be required if competition is to be made to work. . . . Patents, in particular, are specially interesting from our point of view because they provide so clear an illustration of how it is necessary in all such instances not to apply a ready-made formula but to go back to the rationale of the market system and to decide for each class what the precise rights are to be which the government ought to protect (Hayek, 1948/1958: 113, 114).

In the free market perspective of Hayek, patents could be systematically detrimental because they restrict technical competition between pharmaceutical companies.<sup>6</sup> Hayek thereby neglected that if patents are absent, companies may doubt that they will earn a sufficient return on their investment, deterring them for innovation. He believed that free markets in which knowledge can be freely used provide enough incentives. The reason for this neglect might be that Hayek did not sufficiently consider competition in innovation. In his views on the coordination of newly emerging knowledge, he confined his discussion to “situational” knowledge (relating to market opportunities). He disregarded “technological” knowledge, relating to new technologies and products and the consequences it has in the long run (Witt, 2013).

### *Catholic Social Thought*

From the perspective of CST, pharmaceutical companies should contribute to the common good. It is important that justice be done to human dignity and the development of people in communities. Health and the affordability of medicines are important conditions for this. Without good health, people cannot flourish. It is therefore important that sufficient high-quality, new medicines are developed and become available at reasonable prices. Profit making should not take precedence over the interests of patients. Profit and patents that allow profit making are means by which society can be served. They are both an incentive and a source for investment in research to develop new medicines. If high prices serve merely profit and are not used for financing R&D costs, pharmaceutical companies are not contributing to the common good of society.

The principle of subsidiarity implies that when there is insufficient focus on the common good at the level of pharmaceutical companies, the solution should be sought at a higher level, for example, at the level of a trade organization that can lobby for legislation to cover the pharmaceutical sector or ensure that self-regulation of the sector is implemented. Coordinated action at the level of the trade organization

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<sup>6</sup> Guichardaz and Pénin (2019) link Hayek’s view on patents also to his view on the importance of the dissemination of knowledge. In *The Constitution of Liberty*, Hayek (1960/2011: 96, 97) argues that economic growth should be seen not only as the accumulation of goods but as the increase in knowledge that enables people to use resources for new goals. By restricting technical competition, patents hamper the dissemination of knowledge.

can send an important signal and guide the process of standardization of pricing within the sector. Based on the principle of subsidiarity, trade organizations can be regarded as intermediaries to the common good of society. This is an important addition to the neoliberal free market perspective of Hayek, in which trade organizations are interpreted from the perspective of the market, as a bundling of the private interest, including the lobby for it.

If both pharmaceutical companies and trade organizations are insufficiently able or willing to take responsibility, governments may intervene with regard to the common good. Governments can help by developing laws and regulations to keep drug prices in control, without nullifying the incentives for the development of new drugs or creating financial problems for pharmaceutical companies. If it is difficult to find appropriate solutions at the national level, solutions must be developed internationally, for example, by cooperation between European member states. This is in line with the principle of subsidiarity. Pope John XXIII (1963: sections 140, 141) wrote in *Pacem in Terris*, “The same principle of subsidiarity which governs the relations between public authorities and individuals, families and intermediate societies in a single State, must also apply to the relations between the public authority of the world community and the public authorities of each political community.” “The governance of globalization must be marked by subsidiarity” (Pope Benedictus XVI, 2009: section 57).

Finally, it should be noted that the principle of subsidiarity also allows European governments to reconsider the legislation that grants ten years’ market exclusivity to orphan drugs, for example, by limiting the duration of patents. If such limits would refrain pharmaceutical companies from innovating in orphan drugs, governments may opt for financing drug development (for example, by academic hospitals) directly. Once the drug, after a successful development and authorization trajectory, is available, the rights to produce, distribute, and sell the drug can be licensed to manufacturers and distributors that provide the best deal in terms of quality, safety, and accessibility for the lowest cost.<sup>7</sup> This intervention would be morally justifiable not only in the light of CST’s principle of the common good but also with regard to its principle of the universal destination of earth’s goods (Ballano, 2021).

### *Reformational Philosophy*

From the perspective of RPH, pharmaceutical companies should be guided by their economic qualifying function, and they should solve scarcity responsibly. Companies have a responsibility to make decisions not only from the perspective of profit. However, this does not mean that they have a responsibility to develop drugs for which revenues do not cover costs. Pharmaceutical companies should strive for a healthy business but should not make excessive profits at the expense of patients. Pharmaceutical companies should act from the perspective of simultaneous realization of economic, social, legal, and moral norms. They operate in a social

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<sup>7</sup>This and other alternatives of direct government intervention were proposed by the Belgian Health Care Knowledge Centre (2016).

environment with employees and patients and also have an active social duty toward society. Through the development of medicines, they can contribute to the well-being of people in society. If the accessibility of medicines is a moral duty, then a fair distribution of sacrifices should be made between governments, pharmaceutical companies, hospitals, health insurance companies, and patient associations, among others. Each of these societal structures must contribute to the accessibility of medicines, based on their own responsibility. If medicines are produced mainly to achieve maximum profits, there will be shortages of medicines that are less profitable but necessary.

From the perspective of RPH, the neoliberal free market perspective of Hayek violates the sphere sovereignty of noneconomic societal structures by interpreting these structures from the perspective of the market order of society. By explaining the nature of societal structures from their qualifying functions, RPH clarifies the meaning of societal structures as well as the responsibilities that can be derived from it. For example, in RPH, the purpose of hospitals is qualified by the ethical function. From their ethical qualifying function, the responsibility of hospitals is not primarily to make profit but to provide care to patients. This does not mean that hospitals should not function economically well. All societal structures should make decisions based on the idea of the simultaneous realization of norms. But the qualifying function determines the distinct identity of a societal structure, by guiding its other functions as each contributes in its own way to its proper functioning. In this way, hospitals play an important role in counterbalancing the interests of pharmaceutical companies.

From their qualifying function, governments should fight any injustice caused by pharmaceutical companies keeping medicine prices unnecessarily high. These high prices of medicines can be seen as an injustice in the relationship between pharmaceutical companies and the government, health insurers, patients, and hospitals. The state's responsibility for public justice must ensure that citizens are protected against exploitation by the economically dominant pharmaceutical companies. Governments are allowed to intervene if individual interests violate the public interest of society, for example, if access to medicines is unnecessarily hindered by very high prices of medicines due to a monopoly position (Dooyeweerd, 1963: 202). Such intervention of governments should be made without violating the sphere sovereignty of pharmaceutical companies.

However, in the case of the pharmaceutical industry, monopoly positions arise not only from cartels but also from the laws of governments themselves. From a RPH perspective, it is also clear that the orphan drug regulations should be reviewed. The responsibility of pharmaceutical companies is making products that fit the most urgent needs of people. This does imply that companies should be able to make a profit in order to invest. In the case of orphan drugs, this may require patents, because of the high investment and the limited number of patients. However, the state should intervene if patents are abused, for example, by making the conditions for obtaining a patent more restrictive, thereby preventing pharmaceutical companies from registering as orphan medicines any medicines that have been available on the market for years at much lower prices.

## DISCUSSION

*Critical Discussion of Three Perspectives*

This section presents a critical evaluation of the three perspectives discussed in this article. In this section, we do not intend, however, to make a decisive judgment which of the three intellectual traditions should be accepted or rejected as the basis for delineating the responsibilities of governments and companies with regard to public interests. For this, the three perspectives differ too fundamentally in their social-philosophical foundations. A fundamental critical evaluation of the three perspectives would therefore require a new theoretically integrative framework based on other premises that oppose the presuppositions of the three perspectives more fundamentally. Our goal in this section is more modest and limited to the practical question of how CST and RPH can strengthen the design of government and company responsibility for public interests in correction of the neoliberal free market perspective of Hayek. For this purpose, we first outline some weaknesses of the neoliberal perspective of Hayek and how CST and RPH can complement it. Next, we briefly discuss some relative strengths and weaknesses of CST and RPH and discuss the possibility of combining elements of CST and RPH in a complementary way. In this way, we aim to raise the awareness of adherents of each of the three perspectives of the weaknesses of their own perspectives and how they can diminish them by learning from other perspectives. A full integration awaits, however, further fundamental research (see also the last section of this article, on future research).

In the neoliberal market perspective of Hayek, much attention is paid to the “rule of law” and the protection of property rights. For social issues, the government should only provide a minimum safety net. These institutions create a certain level of trust, but this form of “generalized trust” alone is not enough for a proper functioning market. Also, morally developed communities are a prerequisite to realizing the necessary trust between people for the market to function well. This is an important base for the development of the market into a comprehensive social system. Hayek (1988: 112) did show the importance of social communities and institutions but never integrated the interests of the community into his theory of the market organization of society. Here both CST and RPH can complement Hayek’s view in stressing that societal structures have an important place. Their responsibilities in CST are derived from the focus on the common good. RPH stresses that market forces need counterbalancing by societal structures that are sovereign in their own sphere in the way they take responsibility in line with their qualifying function.

Another weakness of the neoliberal free market perspective of Hayek is that it may lead to important human needs being unaddressed. High prices of medicine are justified if they arise within monopolies or oligopolies that are aimed at serving customers well overall. According to Hayek, social justice is meaningless in a spontaneous market order (Hayek, 1976/1982: 68). Individual people choose if they want to buy specific medicines. CST stresses the importance of social justice for the market economy because of the social cohesion that it requires to function well

(Pope Benedictus XVI, 2009: section 35).<sup>8</sup> If high prices merely serve profit and are not used for developing new medicines, pharmaceutical companies are not contributing to the common good and harm the solidarity in society. The state may then intervene subsidiarily. According to RPH, governments are allowed to intervene if individual interests violate the public interest of society, for example, if access to medicines is unnecessarily hindered by very high prices of medicines due to a monopoly position.

Whereas both CST and RPH provide important corrections to the neoliberal free market view of Hayek, both also have relative strengths and weaknesses. Although CST and RPH have different ontological foundations and different views on the order of society, which hinders a full integration in one holistic theoretical framework, we will argue that the practical application of both principles can strengthen the design of government and company responsibility for public interests when used in a complementary way. First, it can be argued that in CST, there is less attention to the qualitative differences of societal structures and the distinctive nature of their responsibilities (Skillen & McCarthy, 1991: 390–93). Therefore it is more difficult to understand the relations between social actors other than relations between the state and a specific social actor. RPH can complement CST by emphasizing the specific nature of different societal structures. This allows a clearer definition and demarcation of the responsibility of different societal structures. Societal structures should act from a simultaneous realization of norms, led by their own qualifying function. The qualifying function determines the nature of the assistance that societal structures can provide to other societal structures. When applying this to the principle of subsidiarity, from their own nature, societal structures can act subsidiarily to each other (Chaplin, 1994: 33, 35). For example, a company has to act subsidiarily from its economic function, and the state has to act subsidiarily from its legal function. In the case of the supply of drugs, this means that each of the societal structures must contribute to the accessibility of medicines based on its own type of responsibility: governments have the responsibility of safeguarding public justice, pharmaceutical companies have the responsibility of resolving the scarcity of medicines responsibly, and hospitals have the responsibility of providing good care to patients. Pharmaceutical companies can act subsidiarily to hospitals by producing medicines responsibly. Hospitals can help pharmaceutical companies by providing feedback on which medicines work well and which medicines are in demand. If societal structures serve one another, government intervention can be limited.

However, the responsibility of governments for public interests is not enough to achieve a good society. A public idea of justice must exist in society but does not automatically lead to moral attitudes that are necessary for contributing to the common good. A society fosters common good, not because there is an idea of justice that demands it, but only when people are willing to contribute to the

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<sup>8</sup> Booth and Petersen (2020: 19) argue that Hayek has misunderstood the meaning of social justice in CST. Although in CST, social justice is relevant to the state, the practice of the virtue is relevant to all social groups and to individuals. It is the responsibility of the state to assist other societal structures in meeting their obligations in accordance with the principle of subsidiarity.

well-being of the other and to public well-being. In CST, the principles of subsidiarity, solidarity, and common good aim to contribute to this.

Another example of how CST can complement RPH concerns the role of trade organizations. Based on the principle of subsidiarity, trade organizations can be regarded as intermediaries to the common good of society. From the perspective of RPH, it is difficult to distinguish between the responsibilities of companies and of trade organizations, because they both have an economic qualifying function. The same issue is at stake with regard to the responsibilities of governments. Based on RPH, international governmental organizations (such as the United Nations and the European Community), national governments, provinces, and municipalities have the same qualifying function, but there is no indication of the level at which responsibilities must be realized, for example, with regard to law and the rules for the development of medicines. The principle of subsidiarity provides a very useful guideline by allocating responsibility at the level where the responsibilities for common good can best be realized. For example, the case study shows that if responsibilities cannot be assumed on a national level, governments need to take action internationally, for example, through the European Union. In this way, the principle of subsidiarity can enhance RPH by providing an efficient solution for the distribution of responsibilities within societal structures that share the same qualifying function but differ in level.

#### *Contribution to Literature*

This article makes three contributions to the literature. First, we analyze the similarities and differences between the principles of subsidiarity of CST and the principle of sphere sovereignty in RPH in evaluating the responsibility of governments and companies for public interests in a market context. In the literature, there are few comparative analyses of the principles of subsidiarity and sphere sovereignty. Chaplin (1993), McIlroy (2003), Van Til (2008), and Weinberger (2014) discuss similarities and differences between the principles of subsidiarity and sphere sovereignty in general. However, our comparative analysis of both principles focuses on the question of the interpretation of responsibilities between governments and companies with regard to the market and public interests, and this is an important new addition to current scientific insight.

A second contribution of this article is the comparative analysis of the contribution of CST and RPH to the neoliberal free market perspective of Hayek. This article has shown that the principles of subsidiarity and sphere sovereignty offer solutions for issues that arise in the neoliberal free market perspective of Hayek. CST and RPH both offer a mechanism for safeguarding public interests if the market does not promote these interests, and both offer an alternative for the market-oriented interpretation of the responsibilities of societal structures, including companies. Furthermore, both CST and RPH focus on the importance of various societal structures for the functioning of the market and provide important tools for setting boundaries to the actions of societal structures.

A third contribution to the literature is that we illustrate the implications of the three perspectives with a case study of the pharmaceutical industry. In the neoliberal free market perspective of Hayek, apart from a minimum safety net of the state, there is no mechanism for safeguarding public interests if the market does not promote

these interests. High prices of medicine are justified if they arise within monopolies or oligopolies that are aimed at serving customers well. If pharmaceutical companies choose not to develop drugs that are not sufficiently profitable, then Hayek accepts that such drugs are not developed, and therefore certain needs of patients are not met. Both CST and RPH offer a correction mechanism if the market does not contribute to the public interest. However, for different reasons, all three perspectives reject the current legislation about patents in relation to orphan drugs.

### *Limitations and Future Research*

In this study, we aimed to analyze the differences and similarities between Catholic social teaching and the Reformational philosophy in their critiques of the neoliberal free market perspective of Hayek. We did not present an integrated theory of both principles. Future research could focus on Catholic thinking about subsidiarity, in which the interpretation of responsibilities is further elaborated. Reformational thought about sphere sovereignty could be enriched by giving a place to, and further thinking through, the notion of the common good and the division of responsibilities within societal structures that share the same qualifying function but differ in level, for example, within governments or the business sector.

In subsequent research, attention could also be paid to integrating the findings of this research into the neoliberal free market perspective of Hayek. There are starting points for this in Hayek's thought. For example, he described the market organization as a "catallaxy" after the Greek word *catalattein* or *catalassein*, which means "to exchange" and also "to receive in the community" (Hayek, 1988: 112). However, he never integrated the interests of the community into his theory of the market organization of society.

Future research can also enrich the results of the practical implication of the principles of subsidiarity and sphere sovereignty by applying the principles to other cases, for example, to issues in relation to public interests in the energy or financial market.

Last, in this article, we have focused on the principles of subsidiarity and sphere sovereignty in relation to the responsibilities of governments and companies for the public interest. Future research can focus on other principles, for example, on the meaning of distributive and social justice. A rich dialogue can be developed between Hayek scholars and those involved in developing CST about the idea of social justice, leading to a shared and richer understanding of the responsibilities of different groups within society (Booth & Petersen, 2020: 4, 5). This dialogue can be enriched as well by RPH with regard to the responsibilities of societal structures.

### **Acknowledgments**

This work was supported by the Templeton World Charity Foundation, Inc. Templeton World Charity Foundation had no involvement in the study design; the collection, analysis, and interpretation of data; the writing of the report; or the decision to submit the article for publication. This article is based in part on Mathilde Oosterhuis-Blok's dissertation "Marktwerving en publieke belangen: een analyse vanuit het neoliberale denken en de beginselen van

subsidiariteit en soevereiniteit in eigen kring,” defended in 2020 at Theologische Universiteit Kampen and Tilburg University, the Netherlands. The authors thank Wim Dubbink, Dominic Melé, and three anonymous reviewers for their comments on an earlier version of this article.

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