Introduction

The Future of Political Economy

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"This Time Is Different": Capitalism and Secular Modernity

In a sense, the global recession of 2007–2010 is just another reminder that capitalist economies suffer periodic crises but that capitalism does not collapse under the weight of its own inner contradictions. Instead, it always reverts to the "normal" cycle of expansion, contraction, and recovery. This reversion is linked to over-accumulation and falling profit rates that prompt capital owners to cut the real wages of laborers in order to generate new surplus value, as both Adam Smith and Karl Marx recognized.[1] But whereas Smith evaded the issue of "primitive accumulation," Marx followed Sir James Steuart in arguing that this is the condition of possibility for the genesis of capitalism. What Rosa

1. Smith, *Wealth of Nations*, vol. I, chap. 9; Marx, *Capital*, vol. 3, chs. II and XIII. A contemporary example of this is "wage restraint" in Germany over the past decade. While it has significantly improved the competitiveness of German exports, there can be no doubt that it has also magnified the unsustainable imbalances between surplus and deficit countries within the eurozone and beyond.

Luxembourg and Hannah Arendt later add to Marx's account is the idea of the permanent need to renew this process of enrichment based on expropriation—hence their theory of imperialism.[2]

Neither Marx nor his disciples could however explain how and why the capitalist commodification of land, labor, and social relations based on the repeated, cumulative process of "primitive accumulation" through dispossession requires a redefinition of the sacred and the subordination of the sanctity of life and land to the quasi-sacrality of the market—aided and abetted by the state, as Karl Polanyi has shown.[3] In this manner, free-market capitalism—increasingly unconstrained by the shared moral codes of civic culture and civil society—tends to exacerbate both income and asset inequality, as exemplified by advanced economies in the U.S. and the UK over the last thirty years or so.[4] In different ways, the gap between capital owners and wage laborers also widens in fast-growing, emerging markets like China and India where hundreds of millions have been lifted out of abject rural poverty, only to join the new underclass of the "working poor" who face a lifetime of urban precariousness.

In the ongoing process of "primitive accumulation," money and the everyday market economy are superseded by layers of financial capital, which is marked by ever-greater abstraction from the real economy and makes money out of money—value in search of surplus value. At the top of this inverted pyramid sits global finance, seeking short-term returns that neither produce long-term prosperity nor trickle down to the masses. Instead, disembodied capital inflates and subsequently deflates the real value of physical assets by using them as collateral in credit-fuelled and debt-leveraged acts of speculation that assume rising asset prices which are in reality unsustainable. That's why recessions and depressions on Main Street only ever occur in the wake of financial crises on Wall Street.[5] Such crises are caused by careless lending, excess borrowing, debt default, and market panic—exactly the sequence of the 2007–8 global "credit crunch." One can say with the economists Carmen

2. Marx, Capital, vol. 1, ch. XXXI, "Genesis of the Industrial Capitalist." Cf. Perelman, *Invention of Capitalism*, 13–58, 92–195; Harvey, *New Imperialism*, 137–82.

3. Polanyi, *Great Transformation*.

4. The negative impact of both income and asset inequality on economic growth and the well-being of societies (in terms of better physical and mental health, less crime, less family breakdown, higher educational levels, etc.) has been documented by Wilkinson and Pickett, *Spirit Level*; and Rajan, *Fault Lines*.

5. Kindleberger, *Manias, Panics, and Crashes*.

Reinhart and Kenneth Rogoff that this time seems no different from the past "eight centuries of financial folly."[6]

In another sense, however, the current crisis is unprecedented in its magnitude, intensity, and nature. Not only is this the first global recession that hit the developed economies at the core with greater severity than the emerging markets at the periphery. But compared even with the Great Depressions of 1873–1896 and 1929–1933, the extent to which finance has pervaded and dislocated the real economy is unprecedented. Following President Nixon's *de facto* abolition of capital controls and the end of managed exchange rates in the early 1970s,[7] capital was globalized as international money markets sucked in savings from around the world and made bumper profits on exchange rate speculation, culminating in a series of financial crises and sovereign debt defaults (Mexico in 1994, East Asia in 1997, and Russia in 1998). Reinforced by successive waves of liberalization, deregulation, and privatization, easy credit was increasingly poured into new services such as finance, insurance, and real estate (or FIRE). Thus the "new economy" was born. After the dot-com crash in 2000 when over 7 billion dollars was wiped off technology shares, central bankers across the globe opened the money tabs and injected mass liquidity into the financial system in order to stave off recession, paving the way for the global financial bubble that burst in 2007 and plunged the world economy into the worst recession for at least seventy years.

Fuelled by the sovereign wealth and foreign exchange reserves of Asian countries and the Gulf States, private and corporate debt was secured almost exclusively against the increasingly inflated value of residential and commercial property. That, in turn, provided the basis for the infamous instrument of "mortgage securitization" that encapsulates the concentration of capital and financial speculation on short-term nominal exchange value—rather than long-term productive investment in the real economy that spreads wealth through income and asset distribution.

Crucially, stagnant or declining real wages in advanced economies like the U.S., the UK, and even Germany reduced the purchasing power of lower- and middle-income families at a time when the rise in the cost of living by far outstripped official inflation rates of 2 percent per annum. The fall in purchasing power not only exacerbated inequality but also generated a growing demand for consumer credit and home mortgages

6. Reinhart and Rogoff, *This Time Is Different*.
7. Eichengreen, *Globalizing Capital*.

that could only be met by new financial vehicles speculating on asset inflation instead of monitoring the ability to repay debt. Thus, credit-fuelled and debt-leveraged consumption and speculation supplanted income-based saving and investment. Here one can suggest that the link between financial abstraction from the material world and its necessary reconnection with the real economy constitutes a dialectic that is entirely internal to the logic of late modern capitalism.

But given that the nominal value of capital must be reinvested in real material processes, the living universe is supplanted by a virtual reality that is grounded in a vacuous generality—the capitalist fetishization of idealized commodities and the notion that the worth of material objects lies in their status as exchangeable commodities instead of being somehow both intrinsic to things and added to them by human labor. Like all ideologies and political economies, capitalism is predicated on an ontology that makes philosophical and theological claims about the nature of the shared world we inhabit. More than any other economic system, free-market capitalism weakens real relations among actually existing things because it privileges discrete, individual objects at the expense of the social, cultural, and religious structures and arrangements that bind them together, as R. H. Tawney and his Christian socialist friend Karl Polanyi first argued.[8]

By separating materiality from symbolic meaning and subjecting everything to standards of abstract value, the capitalist mode of production and exchange subordinates the sanctity of nature and human life to the secular sacrality of the free market and the sovereign central state that have colluded from the outset of the modern age.[9] For just as the market requires state support to extend contractual proprietary relations and nominal exchange into ever more areas of public and private life, so the state needs the market to expand its powers of surveillance and enforcement to hitherto self-regulating organizations of civil society. For this reason, the birth of capitalism in early modern Europe is inextricably intertwined with the rise of the national state that subsumed civic culture and civil society under the central authority of the sovereign ruler.[10]

8. Tawney, *Religion and the Rise of Capitalism*; Polanyi, *Great Transformation*.

9. Pabst, "Modern Sovereignty in Question," 570–602.

10. Tilly, *Big Structures, Large Processes, Huge Comparisons*, esp. 147; Arrighi, *Long Twentieth Century*.

Nevertheless, throughout the development of urban society and modern economic life in the long European transition from the late Middle Ages to the Enlightenment and beyond, the life of households, communities, and intermediary institutions was governed by principles and practices of reciprocity and mutuality as part of "economies of gift-exchange" that were indissociable from the Church and Eucharistic celebrations.[11] Broadly speaking, medieval Christendom and its Renaissance-Byzantine legacy in East and West viewed both the economy and politics as penultimate, embedded in human and social relations, as well as regulated by civic virtues of sympathy and fraternity. Those religious traditions that promoted or endorsed the increasingly disembedded capitalist mode of production and exchange were also those that deviated from creedal Christianity. This applies to the Calvinist sundering of contract from gift, as John Milbank argues in chapter 1, and to the Baroque scholastic separation of "pure nature" from the supernatural, as Tracey Rowland shows in chapter 2. Since capitalism emerged with the approval and connivance of actual religion, it can only be fully understood as part of the theological shifts that brought about modernity. By focusing on work ethic, Weber was less than half-right.

Religion is indispensable to political economy for another reason. In the past and the present, capitalism has faced resistance from more orthodox faith traditions (both within and across different world religions) that defend strong notions of gift exchange, ethical limits on exchange (like anti-usury laws), and the sanctity of life against contractual-proprietary relations, capitalist commodification, and bio-politics. As such, the capitalist system requires for its very operation (and not just as mere ideological obfuscation) the re-conception of the sacred and the institution of secular simulacra like fetishized commodities and market utopia—with the collusive complicity of religion.[12]

The secular logic at the heart of capitalism is also the mark of the intellectual traditions that have been dominant in the modern age, chief of all political liberalism and its roots in late medieval nominalism and

11. Bossy, "Mass as a Social Institution," 29–61; Black, *Guilds and Civil Society*, esp. 12–43 and 237–41. For a critique of Black's definition of civil society, see Milbank, "Real Third Way," this volume, ch. 1.

12. On the complicit collusion of Protestant liberalism and unfettered capitalism in the U.S., see Frank, *One Market Under God*; Connolly, *Capitalism and Christianity, American Style*. Cf. Pabst, "Modern Sovereignty in Question," esp. 585 n. 60.

voluntarism.[13] This late medieval legacy, which the Hobbesian-Humean and Lockean-Kantian strands of liberalism carry forward, translates into the modern univocal poles of left and right, the binary poles of individual and collective sovereign volition as well as the institutional poles of state and market (as John Milbank suggests in his contribution to this collection). All three poles underpin liberal market democracy, which has conspicuously failed to deliver universal freedom and prosperity. It is therefore surely no coincidence that the crisis of global capitalism occurs at the same time as the crisis of secular modernity. This time is different after all.

In what follows, I will not summarize or assess each contribution to this collection of essays. Instead, my aim is to reflect more broadly on our present geo-economic predicament and on the contribution of *Caritas in Veritate* to contemporary debates on economics, politics, and society. The account that is presented in this introduction in no way reflects the views of all the contributors, but I have drawn on their work in order to substantiate some of my own arguments. What I will suggest is that Pope Benedict's call for a civil economy represents a radical "middle" position between an exclusively religious and a strictly secular perspective. His argument is that faith can lead to strong notions of the common good and a belief that human behavior, when disciplined and directed, can start to act more charitably. There can also be secular intimations of this: the more faith-inspired practices are successful even in secular terms (e.g., more economic security, more equality, more sustainability and greater civic participation), the easier it will be for secular institutions to adopt elements of such an overarching framework without however fully embracing its religious basis. Indeed, intellectuals and decision-makers across the political spectrum have recognized that there is a clear convergence between visions for a progressive stakeholder society and Catholic alternatives to unbridled capitalism.[14]

13. See André de Muralt's genealogy of modern philosophy and political thought from John Duns Scotus and William of Ockham via Suárez and Kant to John Rawls, in his seminal book *L'unité de la philosophie politique*.

14. See, for instance, Hutton, "What I Told the Pope."

The Specter of Depression and the Impasse of Secular Solutions

Both state and market responses to the global crisis show just how intellectually defunct and morally bankrupt secular political economy now is. Three years after the onset of the credit crunch that unleashed the biggest economic bust since 1929, the U.S. economy teeters on the brink of a double-dip recession that could not only drag down much of Europe, Latin America, and Africa but also mutate into a full-scale depression (similar to Japan's lost "double decade" in the 1990s and 2000s). Even if the fledgling recovery of the U.S. economy continues, austerity programs in the eurozone and the rest of the EU will for the foreseeable future have a strongly deflationary effect beyond Europe's borders that cannot be offset by expansionary monetary policy, with baseline interest rates near 0.5 percent and central banks wary of the inflationary implications of further quantitative easing (increasing the money supply by printing money to purchase public bonds or private assets). Even if the worst-case scenario is averted, large parts of the world economy will face years of sluggish growth, mass unemployment, social dislocation and environmental degradation.[15] Of course religion is no panacea, but the principles and practices of Christian social teaching (and cognate ideas in other religious traditions) offer an alternative path that outflanks the binary logic of state and market and of left and right that has prevailed since the secular settlement of the French Revolution.

Secular solutions have failed to overcome the fractures of the world economy because they have treated the symptoms of the crisis rather than its causes. Following the disastrous decision on September 15, 2008, to allow Lehman Brothers to go bankrupt, a concerted effort to

15. As a recent UN report documents, the escalating destruction of nature and the unprecedented decline in bio-diversity present a far greater risk than the excessive emission of carbon dioxide and climate change (though the latter have an impact on the former). On narrowly economic terms, the costs of mitigating climate change are approximately 1–2 percent of annual global output, with longer-term benefits of around five to twenty times that figure. By contrast, the value of saving "natural goods and services" such as crops, pollination, medicines, fertile soils as well as clean air and water will be between 10 and 100 times higher than the costs of saving the habitats and species which provide them. For example, establishing and operating a worldwide network of protected areas would cost 45 billion dollars a year, but the benefits of preserving the diversity of species and landscapes could amount to 4–5 trillion dollars per annum. See UNEP, "Dead Planet, Living Planet."

bail out banks and other systemically important institutions like AIG averted a meltdown of the international financial system (with a total rescue package amounting to 9 trillion dollars in cash injections, lending guarantees, and funding lines, according to IMF estimates). But since then, the world's leading economies have failed to reform global finance and reduce the fiscal imbalances that fuelled the credit and asset bubbles. Nor have political leaders taken action to reduce financial speculation in commodities, which was responsible for the price hike in the first half of 2008[16] and continues almost unabated. While the immediate panic that erupted in September 2008 has subsided, the near-meltdown of the world's financial system has bequeathed a loss of trust in the workings of markets themselves.[17] Absent wholesale reforms, most of the conditions for another economic crisis are still firmly in place.

At the international level, the G20 is deeply divided between developed economies, emerging markets, and developing countries. Since it first met in November 2008, it has proven to be a useful instrument of crisis coordination (financial bailout, monetary expansion, and fiscal stimulus). However, it has failed to bring about significant changes to the global economy, let alone launch a process of systemic transformation. The group has neither begun to implement basic financial reform (capital requirements, bank levies, or transactional taxation) nor made progress on new growth models (re-localizing global capital, promoting green technologies, etc.). The summit in Canada in June 2010 where the U.S. and Europe disagreed on austerity programs confirms that the

16. See UNCTAD, "Global Economic Crisis." As with financial services, the core problem of commodity trade is an unprecedented concentration of ownership and under-regulated futures trade. At the height of the 2008 commodity bubble, the Chicago CME Group—itself the product of a merger of the Chicago Mercantile Exchange with the Chicago Board of Trade—witnessed more than a million contracts per day. Hedge funds and other financial institutions not only engage in future trading (involving, for example, the daily contracting of 30 million tons of soybeans for future delivery) but also acquire the companies that stock commodities. Such and similar speculation is highly distortive and destructive of the actual market precisely because these traders never take delivery. Instead, they make gigantic gains on both soaring and falling prices: futures contracts serve to drive up current prices and enable speculators to unload their holdings onto a distorted market, hurting both producers and consumers in the process. Crucially, speculators bet that artificially inflated prices will eventually collapse, at which point they can once more snap up cheap assets and repeat the process.

17. This is evinced, for example, by the "flash crash" on May 6, 2010, when equity prices gyrated on an unprecedented scale—an unusual pattern of fluctuations that remains unexplained by rival schools of economics.

power of the G20 to modify the relations between states and markets has already peaked and is now waning.

At the national levels, governments and central banks have offset some of the worst effects of the recession through a combination of fiscal stimulus packages and unorthodox monetary expansion. But with both households and corporations de-leveraging, a recovery led predominantly by private sector investment and consumption looks increasingly unlikely. Paradoxically, this is particularly true in countries like the UK where massive public spending cuts—coupled with a substantial increase in sales (or value-added) taxes—further depresses aggregate demand and private sector activity that is highly dependent on public sector contracts. Nor have parliaments or presidents had the courage either to enforce existing laws or to put in place new anti-monopoly legislation aimed at breaking up financial and retail conglomerates that represent a form of casino-cum-cartel capitalism.[18] Even banks that have had to be taken into part-public ownership have not restored lending to cash-strapped businesses or households. How in these circumstances the recovery can possibly be sustained by private sector spending has never been explained by the "deficit hawks." Thus, both globally and

18. Johnson and Kwak, *13 Bankers*. The authors document how the assets of the six largest banks grew from 18 percent of national output in 1995 to 60 percent in 2009 at the height of the financial crisis and that they have access to money at significantly lower rates than smaller banks. This confirms once more that free-market capitalism does not avoid private cartels and monopolistic practices. While governments collude with banks that are "too big to fail," there is evidence that breaking up such conglomerates has economic benefits. When Standard Oil was broken up in 1911, for example, the individual parts became more valuable than the whole and no longer threatened to bring down the entire sector. Moreover, the objection that neither Lehman Brothers in the U.S. nor Northern Rock in the UK were universal, integrated banking conglomerates (the former was a pure investment bank and the latter a mortgage bank) but nevertheless went bankrupt is misguided because both were inextricably intertwined with the global financial system. Lehman, in the form of counter-party, was deeply linked to mainstream banking, while Northern Rock could only leverage itself to such an unsustainable degree because investment banks like Lehman bought its securitized mortgage packages and sold them on. A Glass-Steagall divide between commercial, retail banking, and investment banking would have allowed Lehman either to go into administration without bringing down the entire financial edifice or to be taken over (like Bear Stearns). Likewise, Northern Rock could have been taken into public ownership at a much lower cost to the taxpayer. Failure to ban certain speculative instruments enables both types of banks to engage in similar practices and thereby spread systemic risk throughout the world economy. This undermines the argument that the uncorrelated and asymmetrical cycles of investment and retail banking serve to reduce risk and make a division of different types of banking unnecessary.

locally, the world economy remains fractured along the same pre-crisis fault lines and risks a repeat of the financial crisis.[19]

Ideologically, neither the left nor the right has fully repudiated the shared neo-liberal consensus that prevailed for most of the post-Cold War period. The left has bailed out global finance without reforming it, while the right has slashed public spending on which the private sector depends. Both have relied on central banks printing money to buy up the toxic debts of banks and corporations, but neither has helped individuals or households restructure their debt and thereby avoid personal bankruptcy and home foreclosures. Left and right argue over fiscal sustainability, but neither has developed a credible growth strategy that reduces debt while also creating employment.

By not breaking up banks "too big to fail" and creating incentives linking finance to productive investment, both left and right are propping up a system that privatizes profits, nationalizes losses and socializes systemic risk. Neither left nor right has so far launched a genuine redistribution of power and a re-balancing of wealth in favor of citizens, communities, intermediary associations, and small businesses. Both left and right are scaling back statist welfarism but fail to institute asset-based welfare. As a result, benefits and other entitlements provide little more than income redistribution at the margin and some meager compensation for the proletarianization and de-professionalization of the workforce that is denied mutual self-organization as part of corporate guilds. With widening asset and income inequality, the polarization and fragmentation of society will continue to proceed apace (as Jon Cruddas and Jonathan Rutherford argue in chapter 9). This endangers the social bonds of trust and reciprocity on which vibrant democracies and market economies surely rely.[20]

Moral Sentiments and Political Economy: Keynes, Marx, and Smith

So what is to be done? Since 2007, critics of the neo-liberal "Washington consensus" and the underlying intellectual orthodoxy have looked to three different traditions for alternatives: Keynes, Marx, and Smith. Keynes has inspired the fiscal stimulus packages to prevent the global

19. Rajan, *Fault Lines*.

20. See Pabst, "Crisis of Capitalist Democracy," 44–67.

recession from turning into another Great Depression. Keynesian principles are also shaping current efforts to reform the international financial architecture centered on the Bretton Woods institutions which he helped design in 1944. According to this much-needed revisionist reading, the contemporary return of Keynes is a late vindication for the most important economist of the twentieth century. Not only is his theory not to blame for the crisis of the post-war "Keynesian settlement" in the late 1960s and 1970s. It was in fact the neo-classical, monetarist revolution that abolished Keynesian capital controls and thereby helped unleash the forces of global finance which condemned the world to the worst crisis since 1929–1932.[21]

Aspects of Marx have been rightly reclaimed, not just by sections of the secular left but also by religious thinkers—most prominently the Archbishop of Canterbury Rowan Williams. In particular, he has defended Marx's critique of unbridled capitalism as a kind of mythology that ascribes reality, power, and agency to money and commodities that have no life in themselves.[22] This has the effect of turning such and similar fetishes into idols and transforming the unreality of debt into an independent force that is nevertheless increasingly abstracted from the real economy (as I have already indicated). Indeed, the global economy dominated by disembodied finance represents an edifice built on sand, as the patriarchs of Rome, Moscow, and Canterbury have consistently argued throughout the crisis (a theme to which I will return below).

The legacy of Adam Smith has been championed by a number of economists and historians, chief of all, Amartya Sen. He hails Smith as a theorist of the market that is governed by non-profit values like prudence and generosity that serve social justice rather than simply private profit.[23] Read in conjunction with his *Theory of Moral Sentiments*, Smith's *Wealth of Nations* seems to show that the "invisible hand of the market" is not in or of itself sufficient but requires mutual trust and confidence in order to operate efficiently. Absent a shared framework of moral sentiments, human self-interest mutates into excessive risk-taking in a search for profits that turns the fellow feeling of responsible agents into the ruthless speculation of "prodigals and projectors." Far from licensing the

21. Skidelsky, *Keynes*; Clarke, *Keynes*; Davidson, *Keynes Solution*.

22. Williams, "Face it."

23. Sen, "Open and Closed Impartiality"; Sen, "What Do We Want?"; Sen, "Adam Smith's Market."

domination of capital, Smith's morally embedded market economy—so Sen's argument goes—uses production and exchange in order to foster intellectual emancipation, social progress, political enlightenment, and civil society.

The ideas of Smith, Marx, and Keynes differ significantly from one another, but what they share in common is an attempt to overcome classical political economy (as developed by Mandeville, Hobbes, and Locke) in the direction of social philosophy and moral theory. In different ways, all three seek to replace the idea of private vice and arbitrary divine power with enlightened self-interest and human agency. (Indeed, Smith's "invisible hand" involves the theologically dubious idea of human cooperation with the regular and immediate intervention of divine providence.[24]) However, the "progressive" moral economy of Smith, Marx, and Keynes is grounded in a shared denial that the exercise of virtues requires a transcendent common good that alone can direct individual self-interest to communal, public well-being and bind together both moral and civic virtue. Linked to this is a divide between moral sentiments and virtues, on the one hand, and the operation of the market, on the other hand. Indeed, the logic of gratuitousness and the practice of reciprocal giving are sundered from the logic of contract and the processes of production and exchange. As such, none of these three intellectual traditions represents a compelling alternative to the prevailing economic ideas and policies.

Skidelsky is right to credit Keynes with a "third way" beyond statist communism and free-market capitalism that is based on a critique of utilitarian-hedonistic ethics.[25] Keynes's critique does not just focus on economic aspects (for example, treating money as an end rather than a means) but also extends to moral questions like the nature of the good life. He rejects the acquisitive spirit of utilitarianism and argues for an economic system that is rooted in locality and serves human needs and desires: "So, in conclusion, ideas, knowledge, art, hospitality, travel—these are things which should in their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible and above all let finance be primarily national."[26]

24. For a critique of recent attempts to rehabilitate Smith along these lines, see Pabst, "From Civil to Political Economy."

25. Skidelsky, *Keynes*, 133–53.

26. Quoted in Skidelsky, *Keynes*, 187.

However, Keynes never fully repudiated his earlier embrace of G. E. Moore's *Principia Ethica* that shaped the moral thinking of the influential Bloomsbury circle of intellectuals and artists. Moore claims that the good is a "non-natural" and non-teleological property that escapes rational judgment and is best experienced through personal affections and aesthetic enjoyments.[27] As a result, friendship and the contemplation of beauty (whether in nature or in art) are the only morally justifiable ends of human action. That sets Moore—and Keynes—apart from the hedonistic utilitarianism of Jeremy Bentham and James Mill. But by the same token, the individual pursuit of wealth (goods rather than money) is not framed by a substantive notion of the shared public good that can blend private prosperity with the public commonweal. For Keynes the good is a purely nominal property that is confined to the mind and has no discernible presence in the material world. As such, goods are nothing more than those things that provide us with some emotion, not simply pleasure (as Bentham and Mill claimed) but also pain (being in love always involves both). For all the talk about goodness rather than utility, Keynes's moral vision remains wedded to the utilitarian, nominalist denial that good things reflect and intimate a transcendent source that endows everything with a share of the good.

Unlike Keynes, Marx is no residual utilitarian but his social theory is caught in the irreconcilable, modern *aporia* between notions of unalterable nature and notions of human artifice.[28] Accordingly, human behavior and collective action are best explained by law-like generalizations whereby material conditions and class structures of power are the ultimate causes that bring about ideology and beliefs. But to reduce ideas and beliefs to mere immaterial effects of material causes reveals a dualistic ontology that is both nominalist (denying the real existence of universals in things) and voluntarist (giving priority to the power of volition rather than ideas in the intellect). For Marx, the highest form of individual liberation and collective self-emancipation is the imprinting of individual will on society or nature. And by rejecting any teleological account in terms of a hierarchy of goods that provide the ends of human action, Marx's social theory sunders facts from values and proposes an instrumentalist view that collapses "ought" into "is."

27. MacIntyre, *After Virtue*, 6–21.

28. Latour, *Nous n'avons jamais*.

Smith's moral theory is neither proto-utilitarian nor non-teleological, but his political economy is no less problematic than Keynes's or Marx's. His account of virtues and pre-rational, moral sentiments eschews the idea of private vice and arbitrary divine power in favor of notions of enlightened self-interest and human agency (as I argue in chapter 6). But for Smith, market production and exchange is not constrained by the strong bonds of moral virtue and interpersonal ties. The only values that regulate the market are liberty (freedom from coercion) and equality before the law (absence of hereditary privileges, etc.). Since market relations are characterized by weak ties and serve self-interest rather than the common good, Smith divorces the quest for happiness that involves a hierarchy of goods from the exercise of civic virtue like justice.

By the same token, he also separates private, moral virtues such as love and benevolence from public, civic virtues like prudence or justice. As such, he departs from the emphasis in the Neapolitan and the Scottish Enlightenment (Paolo Mattia Doria, Antonio Genovesi, and David Hume) on the mutual sympathy that binds together what we now call civil society and the market—a civil economy wherein market exchange is embedded in relations of mutuality and reciprocity. It is precisely this tradition of civil economy that Pope Benedict XVI retrieves and extends in his encyclical *Caritas in Veritate* (as Stefano Zamagni shows in chapter 5).

Re-Imagining Political Economy

Building on Catholic social teaching since the groundbreaking encyclical *Rerum Novarum* (1891), Benedict's call for a civil economy is the most radical intervention in contemporary debates on the future of the economy, politics, and society. Against apologies of free-market fundamentalism or statist solutions to get us out of the recession, the Pope seeks to chart a Catholic "third way" that combines strict limits on state and market power with a civil economy centered on mutualist businesses, cooperatives, credit unions, and other alternative models at the grassroots level, as chapter 4 by Mark and Louise Zwick vividly illustrates. By arguing for an economic and a political system that is re-embedded in the reciprocal relations and civic virtues of civil society, Benedict's vision of political economy transcends the old secular dichotomies of state and market, left and right, and the secretly collusive voluntarism of the individual and the collective. As such, *Caritas in Veritate* develops the Catholic Christian "third way" in the direction of a virtue economy that re-embeds not just the market but also the state within the bonds of society, as John Milbank argues in his wide-ranging chapter.

Like previous interventions on economics by Joseph Ratzinger,[29] *Caritas in Veritate* rejects the secular logic of separating the market from morality. This would imply that only market freedom and the unfettered interplay of supply and demand can secure economic efficiency, social progress, and individual emancipation. But the sundering of ethics from economics opens the way for a crude deterministic utilitarianism that equates liberty with the negative freedom of negatively choosing individuals. Linked to this is a second secular illusion—that the natural laws of the market are good and work for the good of all, irrespective of the intentions of individuals in pursuit of their own self-interest.

In the light of these illusions and internal contradictions, the Pope deconstructs the foundational assumptions of modern economics. First of all, he rejects the idea of a "value-free" and pure science of economics with the argument that market production and exchange requires the social bonds of reciprocal trust in order to function efficiently—otherwise the costs of social control can outweigh the benefits of unconstrained market anarchy (even if the current system fails to price in these and other externalities). Here chapter 10 by John Médaille is key: he shows how economic efficiency depends on the equity of distributive justice, which in turn is largely determined by the distribution of assets (not just incomes). Médaille's argument resonates with Pope Benedict's conception of theology as the queen of all sciences that orders lower sciences to higher ends but also learns from them and speaks to each science in terms that are intelligible to it.

Second, Benedict opposes the secular logic of scarcity of resources with an alternative logic of producibility and creativity,[30] whereby natural riches are multiplied by patience, human labor, and ingenuity. In such a supernaturally infused economy, scientific discoveries and technological innovation are at the service of enduring human needs and aspirations—rather than fabricating false desires that distort our natural outlook on the supernatural Good in God.

29. See Ratzinger, "Church and Economy."

30. These ideas have also been developed by economists, e.g., Baranzini and Scazzieri, *Foundations of Economics*.

Third, the Pope dismisses instrumental rationality, perfect and asymmetric information as well as rational expectations as questionable conceptions of human knowledge that deny any mediation between *a priori* reason and *a posteriori* experience. On the contrary, Benedict views reason in terms of trust (*pistis* or faith) in the reasonableness of reality and in our ability to apprehend it both with our senses and with our mind. As such, reason is much broader than instrumental rationality supposes. On this account, our faculty of reasoning is also linked to our pre-rational, moral sentiments in ways that Adam Smith failed to recognize—namely that our capacity for sympathy (rather than merely empathy) binds us to other individuals, society, and even the natural universe as a whole. Thus, reason is far more embodied and related to our senses than empiricists (whether in economics or other disciplines) acknowledge. All this calls into questions the theoretical foundations and conceptual commitments of the "dismal science of economics." By contrast, Stefano Zamagni explains in his chapter how *Caritas in Veritate* contains the seeds of an alternative conception of political economy wherein fraternity as the reciprocal giving and receiving of social benefits replaces pure profit making. Zamagni also demonstrates the far-reaching implications of the notion of fraternity not just for the science of economics but also for national and international policymaking.

In line with his entire theological *œuvre*, the Pope's alternative to modern political economy blends the metaphysical theology and theological anthropology of the Church Fathers and Doctors with the Romantic Orthodoxy of nineteenth- and twentieth-century theology, notably *nouvelle théologie*.[31] Central to his vision is the symphonic synthesis of faith and reason (as outlined in the 2006 Regensburg address) and the Neo-Platonist account of natural law that is always already supernaturally infused by divine grace. Taken together, these two elements of Ratzinger's theology represent a powerful repudiation of the dualistic separation of "pure nature" from the supernatural which we owe to both Calvinism and Baroque scholasticism and which underpins the modern capitalist economy: specifically, the twin assumption, first of all, that markets are "value-free" and do not require the exercise of virtue and, second, that contracts are sundered from gift (and works from faith, as the followers of Calvin wrongly claimed). Tracey Rowland's chapter demolishes attempts by neo-liberal and neo-conservative U.S.

31. Rowland, *Ratzinger's Faith*; Rowland, *Benedict XVI*.

Catholics to dismiss the Pope's critique of unbridled free markets and also social-democratic or Marxist Liberation voices to ignore Benedict's repudiation of centralized statist solutions to the recession.

The Pope's compelling critique of religious *apologias* for capitalism, coupled with an unequivocal indictment of the moral relativism that characterizes the late modern secular age, strongly resonates with the other Christian traditions, in particular Eastern Orthodoxy[32] but also Anglicanism, as chapter 8 by John Hughes clearly shows. Anglican theologians have indeed been at the forefront of recovering St. Augustine's notion of charity as reciprocal gift-exchange, most recently the work of Archbishop Rowan Williams. Likewise, contemporary Anglican reflections on Christian universalism in a world characterized by value-pluralism holds many important insights on how to promote the Christian social and moral teaching that is shared by the episcopally based churches. This pan-Christian consensus is certainly true of the current patriarchs of Rome, Moscow, and Canterbury who rightly associate the dominant forms of social and economic liberalism with aggressive secularism and militant atheism. All three are also critical of the hegemonic power of state and market and in its stead seek to affirm the autonomy of civil society upheld by the Church and all the intermediary institutions it supports.

By proposing an alternative modernity that combines a liturgically ordered high culture with gift economy, *Caritas in Veritate* has the potential to advance both the reunification of the episcopally based churches and promote new economic models that transcend the old divide between the purely religious and the exclusively secular. The chosen ground for Benedict's intervention is the twin thematic of humanism and anthropology. Against the ancient and modern focus on the individual (whether fixed substance or atoms in flux), he contends that human beings stand in mutually irreducible relations with each other and their transcendent source in God, as David L. Schindler argues in chapter 7 on the anthropological unity of *Caritas in Veritate*. Remarkably, the Pope's most recent encyclical tackles head-on the common objection

32. One indication of the growing convergence between Roman Catholicism and Eastern Orthodoxy on matters of social and moral teaching is the glowing endorsement of Cardinal Bertone's book on the common good by the then Metropolitan Kirill. Since then Kirill has been elected the Patriarch of Moscow and All Russia—the head of the Russian Orthodox Church. See his preface on the Christian notion of the common good as a corrective and alternative to economic globalization and the secular social consensus, in Bertone, *Ethics of the Common Good*.

that Catholic social teaching is nostalgic and utopian, looking to a past golden age and ignoring the reality of human sinfulness. However, as Schindler demonstrates, Benedict's theology is more orthodox than that of conservative traditionalists and more radical than that of modern progressives because he rejects their shared dualism in favor of an over-arching unity—the universal human vocation to love that translates into practices of reciprocal giving. It is this logic of gratuitous gift-exchange that is more fundamental to human nature and social life than either state law or market relations.

Compared with a centrally imposed social contract (Hobbes and Locke) or vague, pre-rational moral sentiments (Smith), the Pope argues for a more organic polity governed by bonds of reciprocal trust, mutual assistance, and gift-exchange. Concretely, this is reflected in mutually intertwined networks of intermediary institutions and associations such as guilds, universities, and local "economies of communion," with overlapping jurisdictions and multiple membership. As such, political and economic activity is re-embedded within the institutions and practices of civil society. In this manner, the social contract of the central state and proprietary relations in the marketplace are transformed and directed towards the common good in which all can share. Anthropologically and economically, the relational nature of human and social life cuts across the horizontal, binary poles of secularism upon which global capitalism is founded. Thus, *Caritas in Veritate* is a quest for a virtue politics and economics that cannot be charted on our current conceptual map.

The Unfulfilled Promise of 1989: Associative Economy and Civil Democracy

Why does Pope Benedict's call for a civil economy matter? Well, twenty years after the collapse of state communism, the ongoing crisis of "free-market" capitalism provides a unique opportunity to chart an alternative path. Now that the dominant secular orthodoxy of neo-liberalism has been shown to be intellectually dead and morally bankrupt, both politics and business must look to genuinely fresh ideas and transformative policies.

While in some Western countries the center-right has switched from a neo-liberal to a more communitarian discourse, it is unclear whether ruling parties have either the political will to curb the power of global finance or the determination to improve the lot of workers, families, local communities, and underdeveloped regions. Meanwhile, the center-left (both in Europe and the U.S.) looks to Keynesianism and Green movements for new economic and political inspiration. Notwithstanding the important insights that the Keynesian and Green traditions offer, both remain in the end wedded to a social-liberal, utilitarian creed that privileges personal choice and individual emancipation at the expense of communal interest and the wider public good.

This ideology of social liberalism is entirely compatible with the ideology of economic liberalism that has failed so spectacularly. Indeed, the dominant language of "choice" legitimates the extension of free-market mechanisms (aided and abetted by the regulatory state) into virtually all areas of socio-economic and cultural life—including education, health, the family, and sex. Today's scale and intensity of commodified labor, social relations, and our shared natural habitat is beyond Polanyi's worst fears. Thus, much of the contemporary left and right remains caught in a fundamental contradiction between calling for more economic egalitarianism, on the one hand, and advocating ever-greater social liberalization, on the other hand.

Moreover, older civic virtues of justice, mutuality, and reciprocity have been sidelined and supplanted by the new economic values of fairness and aspiration. Worse, these "progressive" values represent a new, cozy consensus that endorses the logic of capitalist democracy that tends towards an ever-greater centralization of power, concentration of wealth, and financial abstraction from the real economy and the common natural universe on which we all depend, as I have already indicated.

These failures underscore the (unrealized) potential of Christian social teaching. Crucially, the principles and practices of Christian social teaching should not just be heeded by the churches and Christians at their workplace or in their communities. Much rather, these principles and practices have appeal for policy and decision makers as well as grassroots movements and community organizing (as illustrated in the chapters by Jon Cruddas and Jonathan Rutherford as well as Mark and Louise Zwick).

Indeed, at a time of fiscal austerity, ageing populations, ballooning budget deficits, and long-term unsustainable public finances (social security and pension systems), both politicians and business leaders must look beyond income redistribution to asset distribution, asset-based welfare, and decentralized models that foster human relationships of communal care and mutual help—rather than state paternalism or private contract delivery. For example, there are successful examples that combine universal entitlement with localized and personalized provision, e.g., by fostering and extending grassroots initiatives like "Get Together" or "Southwark Circle" in London that blend individual, group, and state action. Both initiatives reject old schemes such as "befriending" or uniform benefits in favor of citizens' activity and community organizing supported by local council—instead of central target and standards. The overriding "logic" underpinning such and similar initiatives is that of mutualism, reciprocity, and civic participation in accordance with the twin Catholic Christian principles of solidarity and subsidiarity (action at the most appropriate level to protect and promote human dignity and flourishing).

Likewise, Christian social teaching can help devise a series of economic reforms. Pope Benedict's vision for an alternative economy, which is re-embedded in politics and social relations, offers a refreshing alternative to the residual market liberalism of both left and right. In practice, an embedded model means that elected governments restrict the free flow of capital and create the civic space in which workers, businesses, and communities can regulate economic activity. Instead of free-market self-interest or central state paternalism, it is the individual and corporate members of civil society who collectively determine the norms and institutions governing production and exchange.

Concrete policies discussed in this collection include (in no particular order), first of all, introducing anti-usury legislation and putting in place measures aimed at breaking up banking and other financial conglomerates that are "too big to fail." As Mark and Louise Zwick document in their chapter, transforming the food industry is absolutely crucial to a civil economy. Second, neither prices nor wages should be determined by global capital or the iron law of international demand and supply. Instead, a combination of free guilds and political corporatism can provide a more autonomous, stable framework within which workers are also stakeholders and owners look to their employees rather than the top management and shareholders.

Third, policies that go beyond old-style income redistribution include, but should not be limited to, paying public-sector workers a "living wage" and opening up more areas of the entire economy to social enterprise that reinvest private profits in public-interest activities such as local regeneration, housing associations, and educational projects. Campaigns to implement such and similar measures can be led either by grassroots organizations like London Citizens (bringing together local communities and different faith groups under the umbrella of Catholic social teaching)[33] and the Chicago-based model of community organizing championed by Saul Alinsky or by governments in concert with other stakeholders. Linked to this is a greater emphasis on mutuality, reciprocity, and gift-exchange in the running of welfare programs.

Fourth, greater civic participation in the decision making of business and local politics, coupled with a wider distribution of assets, must be encouraged and promoted by national and global institutions. Fifth, the world economy requires new forms of capital control and limits on certain speculative practices; otherwise banks and other institutions will continue to build up bubbles of fake financial wealth that undermine and destroy real value in the economy. The overriding aim must be to preserve the sanctity of natural and human life and to promote human associations that nurture the social bonds of trust and reciprocity on which both democracy and markets depend.

Finally, Pope Benedict debunks the dominant anthropological myth since Adam Smith's *Wealth of Nations* that we are economic, "trading" animals with diffuse moral sentiments who follow their "propensity to truck, barter and exchange one thing for another," as I have already hinted at. Instead, the pontiff contends that we are fundamentally gift-exchanging animals who primarily seek to protect and enhance the well-being of ourselves and our neighbors in mutually augmenting ways instead of merely maximizing individual material gain. Throughout *Caritas in Veritate*, he contrasts the modern, secular idea of a universal commercial society dominated by abstract formal contracts and proprietary relations with a more Romantic vision that is neither nostalgic nor utopian but blends political idealism with economic realism. Fundamentally, he rejects both market liberalism and state socialism, arguing that they destroy the autonomy of civic culture and the freedom of civil society. By calling for a program of political and economic decentralization, Benedict's civil economy is far more radical than right-wing privatization and left-wing nationalization.

33. Ivereigh, *Faithful Citizens*.

Nor is Christian social teaching a nostalgic vision that is stuck in the past. In addition to the civil economy tradition of the Neapolitan Enlightenment or the English distributism of Hilaire Belloc and G. K. Chesterton, Christians should look to other figures, as Eugene McCarraher rightly suggests in chapter 3. His point that the pontiff does not go far enough in condemning capitalism is contestable, but his critique of the collusion between Christians and the capitalist system is as apposite as his reading of the long tradition of Catholic socialism—from the prescience of Carlyle via the radicalism of Ruskin to the eclecticism of E. F. Schumacher and the socialist Dominican theology of Herbert McCabe.

Moreover, all those currently interested in alternatives to global capitalism could also look to the more recent past, notably 1989. The events of 1989 saw the triumph of civil society over totalitarian states. And behind civil society stood the churches and religious organizations that defended and promoted workers' associations, professional guilds, intermediary associations, educational establishments, and communal welfare. As such, 1989 marked an unprecedented opportunity to overcome the bipolar order of the communist East and the capitalist West, building a genuine "third way" beyond centralized, bureaucratic statism and unbridled, free-market capitalism.

We now know that the end of the Cold War was followed by a new unipolar world order based on essentially secular values of individual freedom, value-pluralism, and liberal democratic capitalism. Arguably, the parallel rise of religious fundamentalism is largely a reaction against the triumphalist arrogance of the secular West and the new ideology of militant atheism. However, the post-1989 secular consensus is already unraveling, as I have already suggested. The ongoing economic crisis once again highlights that the primacy of individual freedom over communal justice is undesirable and unsustainable. Similarly, value-pluralism alone can neither secure the integration of religious minorities nor solve ethical questions like assisted suicide because it negates universal principles such as cultural cohesion around religion or the sanctity of life. Finally, the spread of capitalism has produced regimes that are neither liberal nor democratic. In Central Europe and beyond, communism mutated into ethno-nationalism, supported by fundamentalist Christians and Muslims in the Balkans and elsewhere. In countries as different as Russia and China, global market democracy evolved into authoritarian state capitalism.

Even in the West, we have entered a post-democratic phase where democracy remains formally in place even after actual democratic practices like voting and party membership dramatically decline and power reverts from the masses to small elites and new classes. After thirty years of neo-liberal capitalism, nominal differences remain in place but real distinctions between the secular categories of state and market, "left" and "right" as well as democracy and authoritarianism have begun to dissolve. Indeed, we have seen the fusion of state and market at the expense of civil society autonomy, as more and more civic institutions are subject to the administrative and symbolic order of the post-democratic, authoritarian market-state.[34] That's why religious support for civil society is so crucial.

By emphasizing human relationships within the institutions and practices of civil society, *Caritas in Veritate* proposes a radically communitarian and associative virtue politics and virtue economy that outflanks both the left-wing adulation of the central state and the right-wing fetishization of free, unregulated markets. Since neither offers a credible exit from the current crisis, what is required is a genuine "third way." By offering an account of political economy that cuts across the divide between purely religious and exclusively secular perspectives, Benedict is proposing a vision that has universal resonance.

34. Pabst, "Crisis of Capitalist Democracy," 44–67.