

# Prosperity and Justice For All: why solidarity and fraternity are key to an efficient, ethical economy\*

*Adrian Pabst<sup>1</sup>*

## **Introduction**

Across the globe we are seeing two parallel developments that undermine solidarity and fraternity both within and across the nations of the world. First of all, a growing concentration of wealth and a centralisation of power which divide societies along old and new lines. Second, an increasing precariousness of the poor and of the ‘fragile middle’ – all those who struggle to make ends meet and risk sliding (back) into poverty.

It is true that over the last twenty to thirty years the number of people living on less than US\$2 per day has fallen by over 700 million and that sustained economic growth in the global south and east has made the world less unequal.<sup>2</sup> However, in the wake of the 2008-09 global financial crisis growth rates have significantly fallen and insecurity has greatly increased: nearly 3 billion people have to survive on incomes between \$2 and \$10 per day, and extreme destitution has become more entrenched as levels of socio-economic mobility are stagnating or even falling.

Even though social security is improving in emerging markets, the large holes in existing safety nets won’t prevent the return of poverty – a tendency that in a different context also applies to advanced economies. What is missing is a fair share in total prosperity. Around the world the disconnection of the super-rich from the ‘fragile middle’ and the new ‘precarariat’ (or underclass) seems to suggest that solidarity is an increasingly remote utopia.

Moreover, many countries have joined a global ‘race to the bottom’ in terms of wages, employment conditions and low taxes on the top 1 per cent that reinforces the ever-widening income and asset inequality which characterises capitalism, as the French economist Thomas

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<sup>1</sup> Senior Lecturer in Politics, School of Politics and International Relations, University of Kent, Canterbury, UK; Email: [A.Pabst@kent.ac.uk](mailto:A.Pabst@kent.ac.uk)

<sup>2</sup> Branko Milanovic, *The Haves and the Have-Nots. A Brief and Idiosyncratic History of Global Inequality* (New York: Basic Books, 2011).

Piketty has shown.<sup>3</sup> While the wealthy now split between the super-rich and the super-super-rich (as corporate executives compete with billionaires to drive up the wealth spiral), the middle classes struggle to make ends meet and the poor are seen as surplus to requirements.

Beyond exploitation and oppression, we now live in an ‘economy of exclusion’ that treats economically unproductive people as ‘outcasts’ and ‘leftovers’, as Pope Francis rightly warned in his Apostolic Exhortation *Evangelii Gaudium*.<sup>4</sup> The dominant system does not even pretend to aim for higher purposes. It combines the nakedly honest pursuit of power and prosperity for the few with a legal license for semi-criminal behaviour. Examples abound: first, selling subprime mortgages to vulnerable customers; secondly, rigging inter-bank lending rates; thirdly, charging usurious interest rates on payday loans and credit cards, etc. If ‘greed is good’, then we already face a ‘dictatorship of relativism’ (Pope Emeritus Benedict XVI) that simply dismisses solidarity and fraternity as an oppressive restriction on personal desire and subjective choice.

Crucially, as long as current trends persist, the post-1945 promise that the next generation will be better off won’t apply for those who are now aged 18-25 and their children’s generation. It may not be true even for those retiring now in advanced economies because the financial precariousness that was exposed by the 2008-09 Great Recession combines with long-standing feelings of social dislocation and cultural disorientation to produce a dread of abandonment. Just at present we seem to be entering a long period of stagnation or much lower economic growth, which cannot create sufficient employment or deal with the debt burden. Meanwhile, the demand for healthcare, pensions, social security and education grows exponentially and in ways that neither the state nor the market can adequately meet. For all these reasons, both inter- and intra-generational solidarity faces new threats and requires fresh responses.

Faced with the ‘economy of exclusion’ that brackets fraternity out of the picture, the only genuine alternative is to bind higher purposes such as individual virtue and public honour to institutions and practices that can provide prosperity and flourishing for the many. In this

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<sup>3</sup> Thomas Piketty, *Le capital au XXI<sup>e</sup> siècle* (Paris: Ed. Seuil 2013), trans. *Capital in the Twenty-First Century*, tr. Arthur Goldhammer (Cambridge, MA: Harvard University Press, 2014). Piketty’s analysis is key, if incomplete in crucial ways, and his proposed solutions are neither realistic nor desirable.

<sup>4</sup> Pope Francis, *Evangelii Gaudium*, Rome, 24<sup>th</sup> November 2013, integral text in English available online at [http://www.vatican.va/holy\\_father/francesco/apost\\_exhortations/documents/papa-francesco\\_esortazione-ap\\_20131124\\_evangelii-gaudium\\_en.html](http://www.vatican.va/holy_father/francesco/apost_exhortations/documents/papa-francesco_esortazione-ap_20131124_evangelii-gaudium_en.html)

essay, I argue that solidarity is key to an economy that is both more ethical and more productive. Both solidarity and fraternity rest on the idea of social reciprocity: for example, balancing individual rights with mutual obligations; brokering collaboration out of conflicts of interest by appealing to the common good that serves both personal interest and social benefit. In this manner, fraternity and solidarity can foster the interpersonal trust and cooperation on which a vibrant economy and flourishing society depend.

The prevailing system is based upon a double impersonalism of commercial contract between strangers, and individual entitlement in relation to the bureaucratic machine. By making social reciprocity the ultimate principle that governs both the economic and the political realm, solidarity can avoid the two extremes characterising contemporary capitalism: contract without gift, plus the unilateral and poisoned gift from nowhere that is rationalised state welfare. The alternative, which this essay defends, seeks to fuse contract with gift. In theory and practice, binding contract to gift means mutualising the market, pluralising the state and re-embedding both in the relations that constitute society. Far from being utopian, solidarity so defined is indispensable to an economy that promotes greater innovation, higher productivity and more stable growth, which in turn can sustain rising employment and superior pay.

Section one explores how the meaning of solidarity and fraternity has evolved since the French Revolution elevated ‘fraternity’ alongside ‘liberty’ and ‘equality’ into a foundational value of modern politics. Section two focuses on Catholic social teaching and the ways in which it renews and extends the ancient and Christian tradition of ‘solidarism’. Section three turns to the application of solidarity to the market, while section four examines how it can transform the state. Both sections 3 and 4 try to combine concepts with novel policy ideas. The conclusion briefly summarises my argument and the key policy recommendations.

## **1. The revolutionary tradition of fraternity and solidarity**

### *How the French Revolution redefined fraternity and solidarity*

The terms ‘fraternity’ and ‘solidarity’ were first used with political import during the French Revolution.<sup>5</sup> Even though it was nominally on the same par as liberty and equality, fraternity in its revolutionary meaning was in reality subordinate to both, providing the glue for the

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<sup>5</sup> See Adrian Pabst, ‘Fraternity’, in Luigino Bruni and Stefano Zamagni (eds.), *Handbook on the Economics of Reciprocity and Social Enterprise* (Cheltenham: Edward Elgar, 2013), pp. 153-162.

supposedly free, equal pact between the people and their new, ruling representatives. In this manner, it became closely associated with the idea of a social contract that governs relations between a controlling state and controlled individuals.

Linked to this was the 18<sup>th</sup>-century claim that the natural workings of the market enable citizens to blend their enlightened self-interest with mutual benefit. By connecting individuals to collective goals and compensating for both state and market failure, fraternity came to be at the service of the abstract values of liberty and equality. As part of the revolutionary *tabula rasa*, these values were abstracted from concrete roles and relationships as well as disembedded from traditions of thought and practice that forged them over centuries.

To fulfil this function, the meaning of fraternity was redefined: whereas previously it denoted inter-personal relationships and shared membership of an association based on differentiated roles, it came to designate a set of impersonal ties to an abstract community grounded in a uniform identity such as nationhood or citizenship. In this process, the institutions of fraternities lost much of their autonomy and were increasingly subsumed under the joint power of state and market.

The French Revolution illustrates this point well.<sup>6</sup> One of the first acts of the revolutionaries was to abolish all the intermediary institutions of civil society and recreate them under the absolute authority of the central state. The *Loi Le Chapelier* of 1791 banned guilds and fraternities (or *compagnonnage*) defended by figures such as Montesquieu. The law was followed by a decree on 18 August 1792, which dissolved all types of congregations, both of the clergy and of the laity – including universities, faculties and learned societies.

Taken together, the law and the decree eliminated the right to strike and instituted enterprise as the most fundamental mode of association or corporation.<sup>7</sup> That is why the revolutionaries did not put an end to the power of privilege, whether in the form of patronal clubs or monopolistic arrangements that were ultimately in league with the central state. From the outset, the bureaucratic statism of the French Revolution was complicit with the cartel

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<sup>6</sup> Mona Ozouf, 'Liberté, égalité, fraternité', in Pierre Nora (ed.), *Les Lieux de Mémoire* (Paris: Gallimard, 1997), tome 3, pp. 4353-4389.

<sup>7</sup> In his book *On Human Conduct* (Oxford: Oxford University Press, 1975), the British political thinker Michael Oakeshott defines enterprise associations in terms of the intended pursuit of a certain instrumental purpose, whereas civil associations are a goal in themselves – independently of any specific interest. Below I will argue that in theory and practice, associations are more hybrid than the residual dualism of Oakeshott's argument suggests.

capitalism that underpins dirigisme at home and mercantilist trade abroad. That is why Colbertism represents one of the numerous continuities between the *ancien régime* and the various models of republican France from the seventeenth century to the present day.

These shifts in both ideas and institutions decisively shaped modern politics around the double sway of state and market over society – the primacy of the political and the economic over the social.<sup>8</sup> Government politically produces the commercial sphere of pure exchange and tries through the educative and other central institutional processes of ‘civil society’ (in a novel and specific sense) to create new citizens on the basis of inalienable, individual rights. The mark of modern, revolutionary citizens is to be negatively choosing, self-governing and disembedded from family, locality, tradition and artisanal formation (and so from civil society in an older, more generic sense).<sup>9</sup>

Under the control of both state and market, fraternities and other intermediate institutions gradually moved away from mutual duties and reciprocal responsibilities towards a narrower focus on instrumental interest and the formal entitlements of their members. As a result, the revolutionary meaning of fraternity was compatible with the idea of a new citizen as the bearer of individual, subjective rights who is connected to other citizens via principally contractual ties. In this way, fraternity predominantly serves the primary principles of liberty and equality, defined as the negative freedom of each and the total sameness of all.

Thus, all three values of the French Revolution are seen in terms of two types of sovereignty – sovereign individuals and the sovereign centre – which diminish and even destroy the sovereign self-determination of groups and associations.

The evolution of the term ‘solidarity’ reinforces this dialectical oscillation between individuals and the collectivity. It was Mirabeau who first used the term solidarity in a political sense to express the idea that ‘the faith of each is the faith of all’. Of course, he was referring to the secular, republican faith in the Supreme Being (*L’Être suprême*). Before the French Revolution, solidarity was mostly conceptualised in Leibnizian terms as a pre-established harmony between unique persons who in their singularity reflect the whole. It

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<sup>8</sup> Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston: Beacon Press, 2001 [orig. pub. 1944]).

<sup>9</sup> See John Milbank, ‘The Real Third Way: For a New Metanarrative of Capital and the Associationist Alternative’, in Adrian Pabst (ed.), *The Crisis of Global Capitalism: Pope Benedict XVI’s social encyclical and the future of political economy* (Eugene, OR: Wipf & Stock, 2011), pp. 27-70.

implied neither individualism nor collectivism but instead a continuum of relation. In other words, solidarity was a matter of ‘each for all’ but the all for each and every one – as opposed to the imposition of a universal will or rule onto all.<sup>10</sup> However, solidarity in its revolutionary meaning emphasised individual emancipation and collective consensus at the expense of human association (groups and communities) and substantive shared ends such as the flourishing of the person.

This meaning received its most famous articulation in *The Communist Manifesto*, in which Marx and Engels declare that “[t]he free development of each is the pre-condition for the free development of all”.<sup>11</sup> Far from securing the dignity of the person and free association, solidarity so defined promised individual emancipation but ended up producing collective control. Thus it became a matter of ‘each for all’ but the all for the few rather than each and everyone one. Like fraternity, solidarity in its revolutionary meaning came to signify a largely instrumental principle to achieve liberty and equality, defined as negative freedom of each and the total sameness of all (as I have already indicated).

### *The revolutionary legacy*

Why is this exceedingly brief history relevant for contemporary discussions? If we are seeing a growing centralisation of power and a concentration of wealth over the past fifty years, it has to do with the further expansion of both state and market power in hitherto autonomous, more mutually-governed areas and the concomitant further retreat of intermediary institutions from their traditional involvement in economic, social, educational, cultural and charitable activities. Market monopolisation and market logic have ensured that the economy has become yet more dramatically disembedded from society in general. Meanwhile, the same process combined with government control has led to interpersonal relationships being yet more subsumed under either bureaucratic rule or commercial transactions – or indeed both at once.

Crucially, state and market have increasingly made this covert alliance explicit. The real political polarity now lies not between their respective degree of influence, but between their oligarchic collusion on the one hand, and the realm of ‘civil society’ on the other. As already

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<sup>10</sup> John Milbank, ‘On Complex Space’, in *idem.*, *The Word Made Strange. Theology, Language, Culture* (Oxford: Blackwell, 1997), pp. 268-92.

<sup>11</sup> Karl Marx and Friedrich Engels, ‘The Communist Manifesto’, in Karl Marx, *The Revolutions of 1848* (London: Penguin, 1981), p. 87.

mentioned, this is a slippery term, but here I am using it in the older, generic sense to indicate the ‘complex space’ of intermediate institutions that mediate between the individual, the state and the market. Examples include self-governing hospitals, friendly societies, professional associations for manufacturing and trading, free universities, religious organisations, multitudinous voluntary bodies organised round shared interest or charitable purpose, besides more informal social processes and groupings.

In this space, people can associate with one another (either as individuals or as groups) in order to defend shared values and advance common interests. By contrast, the globalised ‘market-state’ has subordinated the sanctity of life, land and labour to abstract values and standards. In turn, this has reduced the dignity of the person to ‘bare individuality’ (Giorgio Agamben).<sup>12</sup> Similarly, the shared quest for the common good has been discarded in favour of the private pursuit of either individual utility or subjective happiness like short-term pleasure.

It would be foolish to deny that decades of liberalisation have provided greater opportunities for many and afforded some protection against the worst transgressions upon the liberty of some by the liberty of others, especially given the growing disagreement about substantive notions of justice and the good life. However, economic liberalism has also eroded the social bonds and civic ties on which vibrant democracies and market economies ultimately depend for trust and cooperation. Cultural liberalism has carelessly underwritten this in default of its supposedly radical commitments.

And paradoxically, the two liberalisms have engendered a society that is not just more atomised but also more interdependent in the wrong way – too tied to global financial processes that undermine the wider, more material economy. This kind of abstract interdependence, which is the outworking of liberal individualism, actually leaves far less scope for the operation of individual initiative and ability to shape one’s own life. The positive, reverse face of this paradox is that the liberty of the individual cannot realistically be separated from the liberty of groups. Only when a person exercises her choices in partial collaboration with, and in relation to, the choices of others will she discover any real social scope in which her abilities can be developed and her choices have influence. It is this ‘personalist’ outlook that the Catholic conception of solidarity stresses, as I now argue.

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<sup>12</sup> Giorgio Agamben, *Homo Sacer: Sovereign Power and Bare Life*, trans. Daniel Heller-Roazen (Palo Alto, CA: Stanford University Press, 1998).

## 2. Catholic social teaching and the ‘solidarist’ alternative

### *The transformative tradition of Catholic social teaching*

Since the 1891 encyclical *Rerum Novarum*, Catholic social teaching has sought to renew and extend the pre-revolutionary meaning of both solidarity and fraternity. Initially it rejected the two ideological extremes of *laissez-faire* capitalism and Marxist communism that dominated the second half of the nineteenth century. Later it sought to chart an alternative to a variety of more or less unsavoury options in the twentieth century stretching from fascist corporatism via state socialism to social democracy (welfare capitalism) and, more recently, neo-liberalism. Common to all is a fundamental utopian outlook and commitments to remake humankind – either in the form of the atavistic *Übermensch*, or the new Soviet man, or indeed liberalism’s *homo œconomicus*.

Paradoxically, these utopian projects rest on a fundamental pessimism about human nature. Whether in the case of the individual or forms of association, man is seen as essentially selfish, greedy, distrustful of the other and prone to violence. So either in terms of the ‘state of nature’ (Hobbes and Locke) or life in society (Rousseau and Kant), this pessimistic conception legitimates the primacy of the political and the economic over the social: the ‘visible hand’ of state coercion and the ‘invisible hand’ of market competition together regulate human violence. The latter is seen as either naturally given or socially constructed, but not as the irruption of evil through sin in an originally peaceful, created order (as for Catholic Christianity).

Perhaps even more paradoxical is the point that the supposed triumph of liberalism since the end of the Cold War is based on the liberal rejection of all utopian ideologies. However, this rejection ends in a utopian promotion of an anti-utopian project: the liberal order is now the only globally acceptable political, economic and moral order *precisely* because it purports to be the ‘realm of lesser evil’.<sup>13</sup> In reality, liberalism has fixed the global ground-rules for ‘fair play’ between independent human freedoms, while at the same time proscribing any debate about those procedural rules and formalistic standards. In the name of neutrality that only liberal ground-rules can secure, substantive debates about the common good and the shared ends of human flourishing have been banished from the court of public political discussion.

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<sup>13</sup> Jean-Claude Michéa, *L’empire du moindre mal. Essai sur la civilisation libérale* (Paris: Ed. Climats, 2007), trans. *The Realm of Lesser Evil: An Essay on Liberal Civilisation*, tr. David Fernbach (Cambridge: Polity, 2009).



In response to this utopianism, Catholic social teaching proposes the primacy of interpersonal relations as a middle path that avoids the oscillation between the individual and the collective. Among the concepts that underpin this primacy of the social over the economic and the political are (1) the dignity of the person (personalism), (2) the just distribution of resources (distributism), (3) devolving power to the most appropriate level consistent with human flourishing (subsidiarity), (4) responsibility and self-rule (autonomy) and (5) mutual assistance, especially for the poor (solidarity).

Linking all these is the idea of ‘intermediate institutions’, which diversify and pluralise the sovereignty of the state and of the individual. That is because intermediate institutions represent autonomous bodies, which – when properly protected by the constitution – escape both state coercion and market competition. For this reason, Catholic social teaching differs from revolutionary thinking in that it closely connects both solidarity and fraternity to a fusion of the principle of human association with that of free independence (personalism and autonomy). As an alternative to both market individualism and state collectivism, ‘solidarism’ advocates solidarity between persons – whether as individuals or organised in groups.<sup>14</sup>

In turn, this conception of solidarity rests on the ancient and Christian idea of man as a political and social ‘animal’ who is in search of mutual social recognition. Solidarity so defined is not an abstract ideal like revolutionary equality and liberty but instead an exercise of virtues that are embodied in practices and the exchange of gifts, as Karl Polanyi contended against Friedrich von Hayek.<sup>15</sup> Solidarism argues that human beings are not ‘bare individuals’ but rather complex persons who are entangled in relationships such as family, community and association. The social bonds and civic ties that bind people together are more primary than either individual rights or formal contracts. Moreover, virtuous habits such as cooperative trust or mutual sympathy precede both the exercise of merely instrumental reason and the interplay of sheerly sentimental emotions. In this sense, solidarity is more fundamental than either egoism or altruism. Alongside other virtues, solidarity helps embed human will and social artifice (e.g. the social contract) in traditions of cooperation without which rights and contracts cannot function.

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<sup>14</sup> The 1947 Italian Constitution puts this well: “The Republic recognises and guarantees the inviolable rights of the person, both as an individual and in the social groups where human personality is expressed. The Republic expects that the fundamental duties of political, economic and social solidarity be fulfilled” (Art. 2).

<sup>15</sup> In addition Polanyi’s *The Great Transformation* (*supra*, n. 8), see also Karl Polanyi, *Primitive, Archaic and Modern Economies: essays of Karl Polanyi*, ed. George Dalton (New York: Anchor Books, 1968); K. Polanyi, *The Livelihood of Man* (New York: Academic Press, 1977).

Moreover, a Catholic Christian conception of fraternity can also help us rethink the nature of the market. Arguably since Adam Smith, political economy views market relations predominantly in terms of self-interest subject to the law of contract, thereby separating the pursuit of private profit from that of social benefit. This sundering of contract from gift is based on a double distrust. First, a distrust in the human ability to extend virtue beyond the ‘thick ties’ of family relations and friendship: “Men, though naturally sympathetic, feel so little for one another, with whom they have no particular connection, in comparison of what they feel for themselves; the misery of one, who is merely their fellow-creature, is of so little importance to them in comparison even of a small inconveniency of their own”.<sup>16</sup> This reflects the fundamental pessimism I spoke about earlier.

Second, a distrust in human association, which Smith claims nearly always leads to the vice of corruption: “People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices”.<sup>17</sup> His critique of collusion and price-fixing ignores the crucial role of intermediate institutions in promoting the excellence of products and the equality of their members, which is based in large part upon their fraternal bonds. So for Smith, both markets and states ought to be amoral and neutral because only the pursuit of individual self-interest – without regard to the wellbeing of our butcher, brewer and baker – can produce social benefit.<sup>18</sup>

By contrast with the purely instrumental relationships involved in balancing rival self-interest, solidarism points the way to another political economy that rejects the separation of self-interest from notions of sympathy. This alternative argues for the primacy of fraternal relations which binds together interpersonal, particular dimension of ‘friendship’ with the universal outlook of ‘brotherhood’ – a form of unity and equality in diversity that is expressed by the principle of reciprocity.<sup>19</sup> Fraternal relations are connected with common membership in groups (such as guilds, religious communities or the body politic), embedding instrumental relations within non-instrumental relations. In turn, this suggests that civil and enterprise

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<sup>16</sup> Adam Smith, *Theory of Moral Sentiments* (New York: Prometheus, 2000 [orig. pub. 1759]), II, ii, p. 125.

<sup>17</sup> Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (London: Random Century, 1910), I, x, 2, p. 117.

<sup>18</sup> See Adrian Pabst, ‘From Civil to Political Economy: Adam Smith’s Theological Debt’, in Paul Oslington (ed.), *Adam Smith as Theologian* (London: Routledge, 2011), pp. 106-124.

<sup>19</sup> Stefano Zamagni, ‘Europe and the Idea of a Civil Economy’, in Luk Bouckaert and Jochanan Eynikel (eds), *Imagine Europe. The Search for European Identity and Spirituality* (Antwerpen-Apeldoorn: Garant, 2009), pp. 13-24.

associations are distinguishable conceptually but can overlap in reality – as illustrated by a host of businesses today combine for-profit activities with non-profit purposes, e.g. social enterprise, cooperatives and mutuals.

### *Solidarism today*

Amid the crisis of liberal capitalism, Catholic social teaching has renewed and extended the tradition of solidarism by embracing the idea of a ‘civil economy’.<sup>20</sup> In his social encyclical *Caritas in veritate*, Pope Emeritus Benedict XVI writes that “the exclusively binary model of market-plus-state is corrosive of society, while economic forms based on solidarity, which find their natural home in civil society without being restricted to it, build up society”.<sup>21</sup> Rather than defending civil society in its current configuration as a third sector separate from both state and market, this argument is about re-embedding ‘market-states’ in a wider network of social relations governed by virtues such as solidarity, fraternity and justice.<sup>22</sup>

The ‘civil economy’ tradition and its contemporary development repudiates the modern, liberal separation of private from public goods in favour of ‘relational goods’ that are shared by people, such as participation in joint activities that depend on continuous interaction, not one-off transactions.<sup>23</sup> Connected with this is a renewed emphasis on notions of the common good – not utility or happiness: the latter two merely denote the felicity of people one by one or as an abstract aggregate, whereas the former captures the real relationships and the good of each and everyone in terms of their specific embeddedness in the complex webs of trust and reciprocity.<sup>24</sup> The common good exceeds the sum total of all individual goods and services *precisely* because it encompasses the mutually augmenting relationships whose reality is greater than the sum of its individual parts.

Key to an ethical economy is to connect the logic of contract with that of gratuitousness or gift. Here it is instructive to draw on recent work in the field of anthropology, notably the

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<sup>20</sup> Luigino Bruni and Stefano Zamagni, *Civil Economy: Efficiency, Equity, Public Happiness* (Bern: Peter Lang, 2007).

<sup>21</sup> Pope Benedict XVI, *Encyclical Letter Caritas in veritate*, 29 June 2009, available online at [http://www.vatican.va/holy\\_father/benedict\\_xvi/encyclicals/documents/hf\\_ben-xvi\\_enc\\_20090629\\_caritas-in-veritate\\_en.html](http://www.vatican.va/holy_father/benedict_xvi/encyclicals/documents/hf_ben-xvi_enc_20090629_caritas-in-veritate_en.html), §39.

<sup>22</sup> On alternative political economies, see Adrian Pabst and Robert Scazzieri, ‘The Political Economy of Civil Society’, *Constitutional Political Economy*, Vol. 23, no. 4 (October 2012): 337-356.

<sup>23</sup> See, for example, Luigino Bruni, *The Wound and the Blessing: Economics, Relationships and Happiness*, trans. N. Michael Brennan (New York: New City Press, 2007).

<sup>24</sup> Stefano Zamagni, ‘Catholic Social Teaching, Civil Economy, and the Spirit of Capitalism’, in Daniel K. Finn (ed.), *The True Wealth of Nations. Catholic Social Thought and Economic Life* (Oxford: Oxford University Press, 2010), pp. 63-93.

work of the French anthropologist Marcel Mauss on the gift. He and disciples, including Jacques Godbout and Alain Caillé, have developed an anti-utilitarian economics of gift-exchange that shows how commercial contract and market exchange can only work efficiently and justly within a wider gift economy.<sup>25</sup> This approach rejects utility and commodification in favour of real worth that fuses material value with symbolic significance – without which individuals, groups and societies cannot flourish.

Concretely, this means combining private profit with social benefit, e.g. investment in productive activities that produce real value such as goods and services that serve human needs and interests as well as investment in human and social capital. By contrast, much of capitalism is concerned with merely short-term financial profit that accrues to the few and undermines the real economy on which the many depend.

Finally, for solidarism to help produce an ethical economy, it is important to connect not only contract with gift but also rights with obligations. Ever-greater individual rights and economic contract alone cannot deliver security, prosperity and human flourishing for the many. That is why there is a need to invent or discover new, more participatory modes of self-restraint and responsibility, and of economic justice and shared wellbeing. *Caritas in veritate* puts this well:

The link consists in this: individual rights, when detached from a framework of duties which grants them their full meaning, can run wild, leading to an escalation of demands which is effectively unlimited and indiscriminate. An overemphasis on rights leads to a disregard for duties. Duties set a limit on rights because they point to the anthropological and ethical framework of which rights are a part, in this way ensuring that they do not become licence. Duties thereby reinforce rights and call for their defence and promotion as a task to be undertaken in the service of the common good.<sup>26</sup>

### 3. Mutualising the market and creating an ethical economy

In his apostolic exhortation *Evangelii Gaudium*, Pope Francis makes the crucial point that the dominant economic system is economically unsustainable and ethically indefensible. In his words,

[h]uman beings are themselves considered consumer goods to be used and then discarded. We have created a "throw away" culture which is now spreading. It is no longer simply about exploitation and oppression, but something new.

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<sup>25</sup> Jacques T. Godbout (with Alain Caillé), *The World of the Gift*, tr. D. Winkler (Montreal: McGill University Press, 2000); Jacques T. Godbout, *Ce qui circule entre nous. Donner, recevoir, rendre* (Paris: Seuil 2007).

<sup>26</sup> Pope Benedict XVI, *Caritas in veritate*, §43.

Exclusion ultimately has to do with what it means to be a part of the society in which we live; those excluded are no longer society's underside or its fringes or its disenfranchised – they are no longer even a part of it. The excluded are not the "exploited" but the outcast, the "leftovers".<sup>27</sup>

Faced with this evolution, economic solidarity tends to take one of two forms: either redistribution and dependence on the public sector (as for the political left), or trickle-down wealth and reliance on private-sector business (as for the political right). But either way, these two forms of solidarity depend upon centralised tax-and-spend, bureaucratic state control and market commodification. They also assume that ever-greater individual rights and economic contract can deliver security, prosperity and human flourishing for the many.

By contrast, the 'solidarist' alternative that I defend in this essay rejects these premises in favour of reciprocity and mutuality as the guiding principles that can re-embed in novel ways the economy in society. First of all, this involves refusing the logic of debt that characterises monetarist and Keynesian approaches, which merely differ on the relative balance of private vs. public debts. The phenomenon of 'privatised Keynesianism' that became the dominant policy regime in the 1990s and 2000s marked the transfer of debt from the public sector to private households.<sup>28</sup>

This, coupled with new credit expansion underwritten by the state, produced the unprecedented financial bubble that burst so spectacularly in 2008-9, saddling households with unsustainable debt. During the boom in late 1990s and 2000s, the public sector shifted the debt burden onto private household by keeping wages stagnant and forcing workers to take out ever-more debt to make ends meet. In many advanced economies and emerging markets, the real costs of living have consistently outstripped official inflation, plunging more people into poverty and putting a squeeze on low- and middle-income groups.

Austerity may reduce the budget deficit, but it undermines the productive economy by slashing capital spending and failing to diversify away from finance – all of which actually depresses growth and thereby increases both public and private debt over time. Crucially, this treats debt as absolute and in some sense primary vis-à-vis assets, and it also privileges the interests of creditors over those of debtors. In this manner, the logic of austerity is all of a piece with the separation of profit and risk between institutional investors and managers, on

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<sup>27</sup> Pope Francis, *Evangelii Gaudium*, chap. 2.

<sup>28</sup> Colin Crouch, 'Privatised Keynesianism: An Unacknowledged Policy Regime', *The British Journal of Politics & International Relations*, Vol. 11, no. 3 (August 2009): 382-399.

the one hand, and customers and employees, on the other hand – a logic that views solidarity as a purely private decision based on subjective will and calculation.

Against Keynesianism and monetarism, ‘solidarism’ views debt in more relational terms. It argues for models whereby unsustainable debt is converted into equity (e.g. a bail-in for banks ‘too big to fail’ rather than a taxpayer-funded bail-out). Similarly, both profit and risk are shared more equitably among all the stakeholders: lenders and borrowers, investors and owners, shareholders and managers as well as employers and employees, producers and consumers, and suppliers and sellers. This involves creating a genuine value chain with a virtuous circle of competition in both excellence and efficiency.

That, in turn, also requires regional investment banks and a whole transformation of corporate governance. In terms of the latter, this would have to include the consultation and participation of all stakeholders in key business decisions: the representatives of workers, suppliers, consumers, the local community as well as finding novel ways of defending the interests of wider society and the natural environment. A more plural and participatory representation of stakeholders would reflect a ‘solidarist’ approach that can help shift the economy away from an obsession with short-term results towards the securing of longer-term interests.

Second, the ‘solidarist’ alternative would address deficient demand not simply by either printing money (to offer cash handouts to the population) or by financing massive infrastructure projects from the centre. Instead, the economically more sustainable and ethically more effective option is to promote fair wages and just prices (more about this shortly). That would include not only creating ‘living wage’ cities and regions but also establishing a link between salary increases and productivity growth. In theory and practice, solidarity combines contribution with just reward, which is why both prices and wages reflects more than the iron law of demand and supply. They always already reflect certain judgements that go beyond merely procedural and formalistic standards of fairness.

In turn, a novel link between productivity and wages requires a number of elements: (1) promoting investment in vocational training by creating a series of hybrid institutions that combine the teaching of academic skills with technical training; (2) encouraging the provision of more apprenticeships (especially for the young and the long-term unemployed) through a

combination of tax breaks and lower employers' contribution to social security; (3) promoting more innovation by establishing new public 'trusts' for the pooling of technological knowledge to replace the current patenting system that favours large private corporations over small- and medium-sized businesses and social enterprise.

The principle of a technological trust is to pool risk and share the rewards, which also reflects the logic of solidarity. Technology trusts could be set up at the national and the international level, e.g. the EU, NAFTA, Asean, Mercosur, etc. Here the argument that globalisation requires a cost 'race to the bottom' is economically and ethically non-sense, as developed economies will never be able to compete with low-wage countries such as Vietnam and Cambodia. Not even China can, which is why it outsources production to them. On the contrary, the only route towards sustainable, high growth is to compete in both excellence (quality) and ethos.

As the Italian 'civil economist' Antonio Genovesi showed in his seminal *Lectures on Civil Economy*, what matters is not the absolute cost of labour or the relation between foreign and domestic production of goods.<sup>29</sup> Rather, what matters is who you share your labour market with. Paying higher prices for locally produced goods encourages domestic manufacturing, industry and a greater division of labour within one's polity. And since traders are interconnected, it also raises real wages in all trades from agriculture and manufacturing upwards, promoting both higher productivity and greater justice. In this way, we can realign fair wages with just prices and defend the interests of all stakeholders, including workers, suppliers and consumers (not just managers, shareholders and lenders) – as first argued by the Catholic priest John Ryan who coined the term 'living wage'.<sup>30</sup>

Third, solidarism would break the over-reliance on unproductive finance by linking a national network of investment banks (constrained to lend within cities, regions and sectors, as Maurice Glasman has suggested) to a corresponding structure of professional associations that can offer vocational training and guarantee minimum standards of quality and ethos. Membership in a sector-wide 'meta-guild' would be a necessary condition for getting a professional license, but employers and employees would be free to choose from among the

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<sup>29</sup> Antonio Genovesi, *Lezioni di economia civile*, intro. Luigino Bruni and Stefano Zamagni, ed. Francesca Dal Degan (Milan: Vita e Pensiero, 2013).

<sup>30</sup> John A. Ryan, *A Living Wage: Its Ethical and Economic Aspects*, rev. ed. (New York: Macmillan, 1914 [orig. pub. 1906]); and *Distributive Justice: The Right and Wrong of Our Present Distribution of Wealth*, rev. ed. (New York: Macmillan, 1927 [orig. pub. 1916]).

various associations that make up the guild. Choice between different associations would serve to avoid a situation of monopoly.

This would also diversify the range and kind of employers' associations and trade unions. At present, both suffer from self-serving bosses and barons who neglect the views and interests of their ordinary members. The natural institution to bring together local councils, regional/sectoral banks and professional associations is the guild hall (and the equivalent in other countries, e.g. chambers of commerce). A renewed guild hall/chamber of commerce would represent democracy vocational at the local level in every city and every county or region – just like municipal and regional assemblies would represent democracy locational.

Fourth, the 'solidarist' alternative promotes virtuous businesses by rewriting company law to make social purpose and profit-sharing conditions for company license, as John Milbank has suggested.<sup>31</sup> This would also include replacing the current incentive structure with a new system of awards and rewards. At present, we have a system that incentivises the privatisation of profit, the nationalisation of losses and the socialisation of risk. A 'virtue economy' can mutualise profit, loss and risk by fostering greater regard for shared interest, value and relational goods and also by providing proper reward for virtuous behaviour. These are some ways in which solidarity can make an economy more efficient and more ethical both at once.

More specifically, our current model is based on two elements. The first element concerns individual incentives that influence *ex ante* motivation. These can take the form of either private sector performance-related pay and bonuses, or else public sector policies aimed at 'nudging' our behaviour towards greater efficiency and happiness. The second element consists in public prizes and honours to acknowledge a specific contribution to society (including military medals and civilian awards for achievements in the arts, sciences, sport and public affairs).

The problem of the underlying logic is fivefold: first, it sunders *ex ante* motivation from *ex post* outcomes, which leads to the perverse situation of rewarding failure (bonus payments and golden handshakes even in case of bankruptcy). Second, it privileges private self-interest and views social benefit merely in terms of indirect, unintended outcomes. Third, it designs incentives purely in extrinsic ways and reduces the question of reward to a principal-agent

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<sup>31</sup> John Milbank, 'Ethical Economy beyond 'shared value'', in *Ethical Economy – a ResPublica Report*, ed. Phillip Blond and Adrian Pabst (London: ResPublica, 2014), *forthcoming*.



relation. Fourth, it separates monetary from non-monetary rewards, which divorces material value from symbolic worth. Finally, it prioritises the individual and the collective over association, which perpetuates the primacy of states and markets over intermediate institutions.

To reward virtuous behaviour and promote an economy of both honour and regard,<sup>32</sup> we need a system that breaks with the logic of private profit, national loss and socialised risk, as I have already suggested. Here the crucial point is that virtue is pursued for an intrinsic reason, and not for the sake of personal reward. Yet at the same time, virtuous behaviour may yield pleasure or even profit while also making a contribution to the common good. Thus there are good ethical *and* economic reasons for practising virtues. In turn, this means that virtue – the promotion of excellence and ethos – is part of a properly functioning market economy that produces prosperity for all. There we need to rewrite legislation and contracts to promote virtuous behaviour by means of both awards and rewards. Awards refer to a public recognition of virtuous practices, i.e. an acknowledgement of intrinsically good activities that are *not* an expected (though hoped-for) counter-action within a contractual exchange where recompenses have been fixed beforehand.

By contrast, rewards denote a public recompense for virtuous behaviour that blends self-interest with social benefit, including the possibility of a monetary recompense (e.g. tax breaks, preferential treatment in terms of government procurement or public service tenders, etc.). Crucially, virtuous businesses could be given membership in certain professional associations that uphold more stringent standards, which could in the long term give a market advantage – thereby encouraging membership based on a competition in quality, excellence and ethos. Over time, this could lead to forms of publicly recognised ethical certification to promote a ‘global race to the top’.

This form of recognition combines immaterial awards with material rewards and overcomes the false separation of contract from gift that gave rise to the predatory economy of modern capitalism in the first place. Central to the novel reconnection of contract with gift is the idea of solidarity and fraternity in terms of the principle of reciprocity. An economy governed by reciprocal arrangements would almost certainly be more productive, socially and

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<sup>32</sup> See Avner Offer, ‘Between the Gift and the Market: The Economy of Regard’, *Economic History Review* Vol. 50, no. 3 (1997): 450-476; Geoffrey Brennan and Philip Pettit, *The Economy of Esteem* (Oxford: Oxford University Press, 2004).

environmentally more viable as well as ethically more defensible than the currently dominant system.

#### **4. Pluralising politics and the state**

In terms of politics and the state, solidarity has traditionally taken one of two forms: either redistribution through statist welfare based on tax-and-spend, or trickle-down wealth by way of market competition. Both forms are impersonal and tend to leave society fragmented, atomised and anonymous. Since the collapse of state communism and the ongoing crisis of ‘free-market’ capitalism, both academic research and public policy-making has been concerned with alternative economic models and transformations of the welfare state away from state paternalism or private contract delivery towards civic participation and community organising, as this section argues.

Whilst it has provided some much-needed minimum standards, statist-managerial welfare subsidises the affluent middle classes and undermines (traditional or new) networks of mutual assistance and reciprocal help amongst workers within local economies.<sup>33</sup> One reason is that the centralised welfare state traps the poor in dependency while simultaneously redistributing income to middle-income groups. Moreover, the neo-liberal ‘structural reforms’ of the 1980s and 1990s that rationalise welfare compensate the failures of capitalism by promoting freely-choosing reflexive and risk-taking individuals who are removed from the relational constraints of nature, family and tradition.<sup>34</sup>

Today, by contrast, there is a renewed emphasis on the principles of reciprocity and mutuality, which translates into policies that incentivise the creation of mutualised banks, local credit unions, and community-based investment trusts. Beyond redistributive policies, alternatives to the centralised bureaucratic state and the unfettered ‘free market’ include asset-based welfare and decentralised models that foster human relationships of communal care and mutual help – rather than state paternalism or private contract delivery.

For example, there is a compelling case for a system that combines universal entitlement with localised and personalised provision, e.g. by fostering and extending grassroots’ initiatives like ‘Get Together’ or ‘Southwark Circle’ in London that blend individual, group and state

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<sup>33</sup> David T. Beito, *From Mutual Aid to the Welfare State. Fraternal Societies, 1890–1967*, (Chapel Hill, NC: The University of North Carolina Press, 2000).

<sup>34</sup> Lena Lavinas, ‘21<sup>st</sup>-century welfare’, *New Left Review* no. 84 (Nov.-Dec. 2013): 5-40

action. Both initiatives reject old schemes such as ‘befriending’ or uniform benefits in favour of citizens’ activity and community organising supported by local government – instead of being determined by central target and standards.

Crucially, the ‘solidarist’ model differs from both statist and free-market welfare in that it focuses on human relationships of mutuality and reciprocity (rather than formal rights and entitlements or monetarised market relations). Citizens join welfare schemes like social care as active members who shape the service which they become part of rather than being reduced to merely passive recipients of a ‘one-size-fits-all’ top-down model. For example, in London Southwark Circle works on the principle that people’s knowledge of their neighbourhood, community and locality is key to designing the provision and delivery of welfare. Services are delivered involving civic participation, social enterprise (e.g. the company Participle) and municipal government. This can be linked to ‘time banks’ where voluntary work by members of the community can lead to certain entitlements that reward their contribution (e.g. by reducing their local tax).

A new dimension of fraternity appears in the emerging information network society. Non-interested forms of cooperation, which are linked to the practice of fraternal gift-exchange, are fundamental to the operation of new communities such as Wikipedia and widely used tools like open-source software programmes, among many other initiatives. By contrast, state paternalism or private contract delivery cost more to deliver less, and they lock people either into demoralising dependency on the state or financially unaffordable dependency on outsourced, private contractors. The reason why civic participation and mutualism costs less and delivers more is because it cuts out the ‘middle man’ – the growing layers of gate-keepers such as managers, social workers and bureaucrats who assess people’s eligibility and enforce centrally determined standards and targets instead of providing services that assist genuine individual needs and foster human relationships.

The vision of civic participation and mutualism is inextricably linked to the decentralisation of the state 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). A genuine alternative to the prevailing options eschews both conservative paternalism and liberal *laissez-faire* in favour of something like an organic pluralism and a

renewed virtue ethics that blends a hierarchy of values with an equality of participation in the economic and political realms.

More specifically, ‘solidarist’ welfare reform can combine genuine fairness and justice with greater care for the poor. Certainly the intention of breaking ‘welfare dependency’ and facilitating a return to work (or taking up employment for the first time) makes both ethical and economic sense.<sup>35</sup> Contrary to the original intentions that led to universal welfare provision in the early twentieth century, many welfare systems in advanced economies have become too much a ceiling rather than a safety net. This has contributed (alongside a collapsed economy in some regions) to abject dependency often stretching over three generations, trapping people in poverty who cannot compete with more skilled immigrants whose pay undercuts the minimum wage, or those without dependents prepared to work sporadically and for extremely little. In this manner, the current model has undermined an ethos of work, saving, caring and honesty.

But it is the moral attitude to unemployment, exclusion and poverty that is most in question. For the neoliberal right the poor are either inevitable sacrifices to market logic, or else they are a bunch of lazy misfits who need to pull themselves together (or both at once). For the statist left they are passive victims of systematic economic injustice who should be given guilt-ridden and often patronising handouts. In neither case are the poor seen primarily as social actors and continued participants in community.

In reality, however, ‘the poor’ are subject to the same vagaries of fortune and failure (theirs or others) as all human beings – only in their case to an extreme degree. The outcome of fortune is always a compound of structural circumstance, inheritance of wealth and talent, plus the exercise of effort and virtue. Those who are *unfortunate* remain part of us: they are our neighbours, and so they need to be included within local society. That means helping them in every way possible, both to meet their needs and to develop their ability to help themselves. In turn, poorer people may be expected to make what contribution to the community they can, because to ask for this is precisely *to respect* their continued dignity as human beings.

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<sup>35</sup> The following draws on John Milbank and Adrian Pabst, ‘Post-liberal politics and the alternative of mutualising social security’, in *The Future of Welfare*, ed. Nick Spencer (London: Theos, 2014), pp. 90-99, at <http://www.theosthinktank.co.uk/files/files/Reports/The%20future%20of%20welfare%20a%20theos%20collection%20combined.pdf>

How do policies such as ‘workfare’ (i.e. welfare to work) look in the light of these principles of mutuality and reciprocity? The answer is at best ambivalent. For insisting on some time spent on work and training as a condition for receiving benefit (roughly what is proposed by the coalition government) could mean including the poor in local structures of reciprocity, rather than marginalising them – whether as mere victims or as supposed social parasites. It could mean that the unemployed and their communities try to think out between them new creative tasks that the unemployed might usefully help with – for example caring in the community, working in schools or protecting the environment. Such involvement would assist the unemployed to return to the habit of work and begin to equip them with skills, besides giving them some sense of belonging and social worth that often is too little attached even to paid labour.

Here it is important to say that one aspect of the new proposals that has been insufficiently discussed is their intention to increase the interpersonal factor and the proactive role played by front-line administrators. The problem with ‘workfare’ is much the same problem as that of the universal credit (a single welfare payment instead of a myriad of different claims and benefits): everything is filtered through the narrow portal of centralisation, and viewed through the patronising lens of the social engineer.

Neither simplification of benefits or making good use of millions of idle citizens are in themselves bad ideas, but the framework in which they are delivered is hopelessly broken and inadequate. The needs of benefit recipients vary widely in type and extent, with many receiving help they don’t need, and many more lacking the kind of help they *do* need. The universal credit fails to answer these problems, yet the massive variety of benefits creates confusion and fraud, and further traps people in the web of endless bureaucracy. There is a third way however: the central government should pay a universal credit – but local government should distribute it, and add extra as it sees fit (in consultation with voluntary associations).

Critics of ‘workfare’ are correct to say that it will not lead to higher employment and lower dependency if there are not enough jobs available – as the nascent recovery is even more ‘job-less’ (or generative of merely pseudo-jobs) than previous economic upturns. All the same, we need again to overcome either a reactive and pseudo-radical palliative approach to this circumstance, or else a neoliberal view that it is merely ‘up to individuals’ and their own

‘personal choice’. Instead, we need to foment the idea that local co-operation can lead to the creation of new enterprises, and that government policies and legal and financial structures need to favour such developments. We need to empower local authorities and actors – that is, precisely those people who know and work with those we want to help – to make decisions at that crucial interpersonal level. ‘Workfare’ will only work best if local people are directed to meet local needs, getting people to build and improve things that they would benefit from and even own – rather than being handed into virtual indenture.

At present, ‘workfare’ is still too much a continuation of a centralised attempt to discipline and corral the poor as though they were social lepers. In Britain, a process of ‘confinement’ of the poor reached its acme with the Victorian workhouse, but has been going on ever since Henry VIII – in the face of a massive increase in ‘vagabondage’ in the wake of agricultural enclosures – seized control of parish structures from the power of localities and voluntary fraternities. The task that arises from this long history of centralisation is as daunting as it is urgent: how, on the one hand, to restore the primacy of locality and reciprocity and how, on the other, to deal fairly with people who, at least for the moment, are on the move, and with the many who are likely to remain on the move in an increasingly fluid world?

The alternative to statist and free-market models is a Mutual Jobs Fund – governed by a trust (composed of stakeholders), financed in part by central government and in part by local businesses (providing apprenticeships and training) and coordinated by local councils. After six months, unemployment benefit claimants would be offered the choice between taking up a job or having their benefits cut. Evidence from a report published by the UK Department of Work and Pensions about the Future Jobs Funds (set up in 2009 to help the long-term unemployed back into work) suggests that there are clear individual and social benefits, ranging from much higher chances of being in unsubsidised employment to huge savings for the taxpayers.<sup>36</sup> Communities, professional associations and social enterprise should be included in the governance and operation of such a fund. In this manner, offering everyone paid work would replace welfare and ensure that people are treated with respect and dignity.

There is one final and crucial twist in relation to ‘workfare’ and poverty. Money given to the poor must sometimes require that they give something in return. But if that is so, then this rule

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<sup>36</sup> See Department for Work and Pensions, ‘Impacts and Costs and Benefits of the Future Jobs Fund’, Nov. 2012, [http://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/223120/impacts\\_costs\\_benefits\\_fjf.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/223120/impacts_costs_benefits_fjf.pdf)

must apply all the more to the rest of us. For if the poor are also us, then *we are also the poor*, at bottom entirely dependent on the bounty of nature and the gifts of other human beings. It follows that the wealthier should *also* receive as reward – in terms of salaries, bonuses and state benefits – only what can be justified in terms of both their needs and their social contribution. If ‘workfare’ invokes mutual fairness, then this implies that such a principle should be applied all the way up.

### **Conclusion: summary and policy ideas**

In this essay I have argued for a new settlement that is centred on mutualisation – a reciprocalist model wherein both risk and benefit are always shared and wherein reward is reconnected to real social contribution and shouldered responsibility. Central to this is the promotion of virtue and vocation across all sectors of the economy, the polity and society. Of these two dimensions, virtue is primary. The reason for this is twofold. First, it is democratic because the practice of virtue is open to all, especially the supreme virtues of love, trust, hope, mercy and reconciliation which human cultures and societies, whether avowedly Christians or not, inherited from the teachings of the gospels and the fusion with Greco-Roman philosophy. The hellenisation of biblical revelation is also at the heart of Renaissance humanism and the best traditions of the Enlightenment, including the Neapolitan Enlightenment that gave rise to the ‘civil economy’ tradition.

But, second, virtue is also benignly non-democratic because the practice of virtues requires guidance through time by the already virtuous, skilled, generous and wise. Faced with largely self-serving elites that are corrupt and nihilistic, most countries need honourable and much more widely distributed elites who can lead by example at every level. In so doing, they would reflect both their country’s best traditions and the ‘common decency’ of the vast majority of ordinary people.

Thus, a new ‘solidarist’ model requires a combination of honourable, virtuous elites with greater popular participation as well as a greater sense of social duty and hierarchy of value and honour, alongside much more real equality and genuine creative freedom in the economic and political realms. Ideally, a long-term Christian legacy must encourage us in the view that virtue and honour can themselves be democratised, that all can come to share in human excellence, in many diverse ways and in ever heightened degrees. The vision of solidarity and fraternity which I have sketched in this essay does not involve inventing a model that is either foreign to individual countries or harks back to a past that is inexorably vanished. It is rather

about restoring, replenishing and re-thinking long-standing traditions of solidarity that have been sidelined and eroded and yet have never completely disappeared. The task is to weld languishing good traditions with a contemporary approach to ideas, institutions and policies.

Thus far from being reactionary or nostalgic, the solidarism I argue for seeks to fuse the fight for greater economic justice with a renewed emphasis on those social relations and reciprocal arrangements that give people a sense that life is worth living and can provide them with fulfilment. It is about aligning the quest for wealth and power with the pursuit of mutual benefit and moral goodness.

The key policy ideas that I would like to put forward for discussion are as follows:

## I. Constitutional Reform

- (1) providing greater constitutional recognition of communities, groups and associations that are compatible with the wider constitutional order and democratically governed (in the sense of representing the interests of their members and being accountable to them)
- (2) associating communities, groups and associations to public, political debate and, in some instances, top decision- and policy-making – whether through consultation and by incorporating them into assemblies (e.g. upper chambers that would represent not only regions but also cities, professions and faith groups)
- (3) connecting rights and entitlements with obligations and duties, e.g. in relation to laws on the freedom of speech or, in a different context, welfare benefits (see, *infra*, point 16)

## II. Market Reform

- (4) combining a measure of debt forgiveness with restructuring debt (long-term with a just interest rate) and converting some debt into equity in order to reduce taxpayer-funded bail-outs in favour of investor bail-ins
- (5) promoting risk- and profit-sharing arrangements, e.g. by putting the personal wealth of managers on the line; linked to this is the need for greater diversification in terms of corporate structure (more partnerships and employee-[co]ownership).
- (6) transforming corporate governance by including representatives of workers, suppliers, consumers and local communities on the board of directors and/or on the supervisory board of companies
- (7) promoting investment in vocational training by creating a series of hybrid institutions that fuse the teaching of academic skills with technical training
- (8) encouraging the provision of more apprenticeships (especially for the young and the long-term unemployed) through a combination of tax breaks and lower employers' contribution to social security



- (9) promoting more innovation by establishing new public ‘trusts’ for the pooling of technological knowledge to replace the current patenting system (at the national and the international level, e.g. the EU, NAFTA, Asean, Mercosur, etc.)
- (10) linking remuneration to productivity growth and promoting both just wages and fair prices
- (11) connecting national networks of investment banks (constrained to lend within cities, regions and sectors) to a corresponding structure of professional associations that can offer vocational training and guarantee minimum standards of quality and ethos
- (12) rewriting company law to make social purpose and profit-sharing conditions for granting company licenses
- (13) replacing the current systems of incentives and rewards with models that combine public awards of honour with a measure of monetary recompense (e.g. tax breaks, preferential treatment in terms of government procurement or public service tenders, etc.)
- (14) new forms of ethical certification to encourage competition in quality and ethos and thereby a ‘global race to the top’
- (15) promoting the creation of mutualised banks, local credit unions and community-based investment trusts in order to diversify the financial sector and re-balance the economy

### III. State Reform

- (16) introducing a contributory principle to welfare that is reflected in better benefits for those who have paid into the system compared with those who have not (while also providing minimum standards for all those in need)
- (17) combining universal entitlement with localised and personalised provision by fostering and extending grassroots’ initiatives that blend individual, group and state action (e.g. citizens’ activity and community organising supported by local government)
- (18) cutting out the ‘middle man’, i.e. the growing layers of gate-keepers such as managers, social workers and bureaucrats who assess people’s eligibility and enforce centrally determined standards and targets instead of providing services that assist genuine individual needs and foster human relationships
- (19) re-configuring welfare conditionality by linking work and training as a condition for receiving benefit to contributions to society (e.g. caring in the community, working in schools or protecting the environment); this would help re-develop habits of work and professional skills, while also giving benefit claimants some sense of belonging and social worth that often is too little attached even to paid labour
- (20) creating a Mutual Jobs Fund – governed by a trust (composed of stakeholders), financed in part by central government and in part by local businesses (providing apprenticeships and training) and coordinated by local councils; after a period of six months to a year, unemployment benefit claimants would be offered the choice between taking up a job or having their benefits cut