CATHOLIC SOCIAL THOUGHT, CIVIL ECONOMY AND THE SPIRIT OF CAPITALISM*

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1. Introduction

The present contribution aims at providing a sort of inspection-table to put to test the fundamental hypothesis of the True Wealth of Nations project, i.e.: "The economic and cultural criteria identified in the tradition of Catholic Social Thought (CST) provide an effective path to sustainable prosperity for all". By adopting an history of ideas approach, in the sense of Arthur Lovejoy, I will endeavour to show that at the times of civil humanism (XIV and XV centuries), the principles of CST were able to inspire and mould the institutional set-up of a model of social order aimed at the common good. While I refer the reader to A. Yuengert's paper in this volume for a definition of what one should mean by sustainable prosperity in the sense of human flourishing, in what follows a will address a three-fold question. First, in what sense, exactly, can it be argued that Catholic ethics served to nourish and inform the spirit of capitalism? Second, what meaning (and what value) should we attribute to the wide-ranging, lively debate on Max Weber's thesis of a nexus between the Protestant ethic and the spirit of capitalism? Third, finally, what underlies the recent revival of interest both in historical and economic research aimed at assessing the relevance of culture to economic outcomes and, more specifically, studying the impact of religious beliefs on the civic and economic progress of a nation or a community?[1]

Another question, however, overrides those just now raised: does it make sense today, beyond the strictly historical interest, to discuss these themes? We can draw our affirmative answer from the recognition that modern economic development did not derive mainly from the adoption of more effective incentives or more appropriate institutional arrangements but rather was consequent to the creation of a new culture. The idea that incentives or efficient institutions will generate positive economic results regardless of the prevailing culture is simply baseless, since what makes the difference is not the incentives per se but the way agents perceive and respond to them. And reactions depend precisely on the specificity of the cultural matrix, which in turn is crucially influenced by religion as a set of organized beliefs.[2] It is well established that values and attitudes, such as the propensity for risk, the practice of granting credit, the attitude towards work, and the willingness to trust others, are intimately

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[1] For a survey of the recent literature, see R. Barro and R. McCleary, "Religion and Economy," *Journal of Economic Perspectives*, vol. 20, 2006, pp. 1-25; also L. Guiso, P. Sapienza, and L. Zingales, "Does culture affect economic outcomes?", *Journal of Economic Perspectives*, vol. 20, 2006.

[2] For a lucid analysis of how historical changes modify our interpretation of the principles of CST and how the Church has been able to provide an ever more accurate foundation and shape to these principles, see the contribution by M.L. Hirschfeld in this volume.

related with the prevailing religious beliefs in a given time and place. Like all other social orders, for its continual reproduction capitalism requires a series of cultural inputs and a sophisticated moral code that it is not itself capable of generating, although it certainly does play a part in modifying them over time. This is what makes it meaningful today to reflect on the relationship between an ethics founded upon religion, such as that of Catholicism, and the capitalist economic system.

It may be of interest to know that for centuries, the Catholic Church used the expression *doctrina civilis* to refer to teachings about political order and that it was only after the pontificate of Leo XIII that *doctrina civilis* became *doctrina socialis*.

2. The Catholic Social Thought and the civil market

2.1. In answering the first of our three questions, let me begin with a simple factual observation. From the very first the relationship between Catholicism and capitalism has been characterized by structural ambivalence. On the one hand it is to Catholic thought, especially the Franciscan school of the 13th to the 15th century, that we owe the formulation of most of the analytical categories and no few economic institutions that would later serve the full assertion of the spirit of capitalism. On the other hand, the Catholic ethic essentially rejects the very mind-set of capitalism, what Max Weber called its *Geist*.

How can we account for this? My thesis is that the ambivalence – which provoked countless, often inconclusive, debates – stems from the inconsistent use of the term "capitalism" to denote diverse phenomena, in particular both the civil market economy and the capitalistic market economy. This ambivalence is eliminated once the Catholic ethic is causally linked to the birth and establishment of the civil market economy, the economy that was a harbinger of the advent of capitalism. The modern world was born in the socio-economic form of capitalism, and Catholicism cannot seek compromise with it if "compromise" is taken to mean the capacity of two powers to "promise" themselves to the same end. This for the fundamental reason that according to Catholic ethics the end of economic action is the common good, whereas that of capitalism is the total good, or the sum total of individual "goods".

Clearly, the defence of a thesis like this requires us to define "civil market economy" and "capitalist market economy." Before proceeding, a note on the origin of the term "capitalism" is in order. The word "capital" came into general use in the 14th century to denote funds, monetary or not, that could produce an income, i.e. a surplus. But the term "capitalism" was first brought into scientific and theoretical discussion by Werner Sombart at the turn of the 20th century to designate the economic system that issued from the industrial revolution.[3] To be exact, "capitalism" in the English language was coined in 1853 by the satirist William Thackeray, as is demonstrated by the anthropologist Jack Goody, who also shows that such derivative words as "capitalism" and "capitalist" began to enter into European culture in France as early as the first half of the 18th century.[4] One of the scholars

[3] W. Sombart,*The Quintessence of Modern Capitalism* (London: Unwin, 1915). Actually the word "capital" appeared in the various neo-Latin languages as early as the 12th century but was not taken into early modern English until some centuries later.

[4] Jack Good, *Capitalism and Modernity* (John Wiley & Sons, 2003). In his celebrated *Origines du Capitalisme en France* (Paris, 1927), Bernard Groethuysen dates the origin of the "spirit of capitalism" in Catholic France even earlier, in the 17th century.

who have inquired most deeply into the origins and evolution of the concept of capitalism was certainly Fernand Braudel, though he did give up the idea of an unequivocal definition.[5] At least a point is firmly established, however: at first, in the 12th century, as the civilization of the medieval city was being formed, "capital" and "capitalist behaviour" were terms referring to the particular human occupation of using wealth (monetary or other) to produce additional wealth by means of a productive activity. This qualification is essential. A capitalist is not someone who appropriates a surplus thanks to *de jure* power (such as a sovereign or a rentier) or *de facto* power (such as a brigand or a usurer) but someone who, taking a risk, generates new wealth. (A perspicacious discussion on the multiple meanings of the concept of capital is the one by J. Gunnermann, in this volume).

Oreste Bazzichi has shown that a decisive contribution to this doctrine was made by the Francisan friar Giovanni Olivi, who saw capital as a sum of money which, being assigned to business, already contains a "seed of gain".[6] Olivi's concept of capital as seed money – expanded upon by Alexander of Alessandria, the author of *De Usuris* (1303) made known throughout Europe by Bernardino of Siena and Bernardino of Feltre – is the postulate that permitted the subsequent justification of the additional value that the borrower must pay back over and above the amount lent to him. Leo X's bull *Inter multiplices* (1515) finally cleared away all doubt as to the legitimacy of charging interest on the loans of the *Monte di Pietà* pledge banks.

What, then, were the characteristics of the civil market economy as it shaped up beginning in the 13th century? Here the history of ideas approach is of the greatest assistance. The late 12th century saw the beginnings of a profound transformation of European society and economy, a process that lasted into the mid-16th century. It began in Italy, in Umbria and Tuscany in particular, but even by the end of the 13th century it extended to other parts of the continent: Flanders, northern Germany, southern France. This was the period when the mercantile reawakening of the previous centuries, in connection with the invention of machines that greatly increased productivity, came to full maturity. The new social order that was forming is known as "urban civilization," a model that owes much to the theoretical work of the writers that Eugenio Garin and J.G.A. Pocock called civil humanists.[7] They were diverse in background and in training, but they shared the desire to interpret the *res novae* of their times in the light of the thought of the past.[8] Monastic culture was the source of the first economic lexicon, which gained currency throughout Europe in the late Middle Ages. Europe's first complex economic structures were the convents, where the need for proper forms of management and accounting emerged. Saint Benedict's "*ora et labora*" was not just the path to individual holiness but the foundation for a definite work ethic that would arise, based on the principle of labour mobility, which had been espoused by Judaism. In ancient Greece and Rome labour was not a component of the good life, which consisted rather in political action, and politics had no place for working people. In fact, work was for slaves (or

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[5] Fernand Braudel, *Civilization and Capitalism, 15th-18th Century,* 3 vols. (New York: Harper & Row, 1979). In Braudel's view, market economy and capitalism cannot be said to coincide because in order to work capitalism needs the State, to ensure the execution of contracts. But the nation-state did not begin to form until the Peace of Westphalia, long after the advent of the market economy. Marx himself, in *Capital,* never uses the term "capitalism" but prefers the expression "capitalist mode of production."

[6] Oreste Bazzichi, "Valenza antropologica del discorso economico francescano", *Miscellanea Francescana*, Vol. 105, July 2005.

[7] E. Garin, *L'umanismo italiano* (1947), re-edition Rome: Laterza, 1994.

[8] It was Humanism above all that passed this "desire" down to the future of all of Western civilization. The texts and archeological finds of Greek and Roman civilization were recovered, philologically reconstructed, and interpreted in the light of newly acquired knowledge, so as to produce new "fashions".

servants). The free man did not work. What is more, the monastic life, with its minute organization of even tiny details of daily life, provided the perfect occasion for developing the form of rational thinking that would later come to be known as instrumental rationality (means/ends rationality), to which Max Weber would devote such a substantial part of his work.

The Benedictine and Cistercian monasteries, in turn, were the outcome of the reflection on economic life that the Church fathers had begun as far back as the 4th century, with the rigorous subjection to Christian ethics of the faithful's relationship with worldly goods. Worldly goods and wealth were not condemned as such but only if wrongly used, i.e. if they were considered as an end and not an instrument. Basil the Great, of Caesarea, the founder of the charitable town known as "Basiliad," made pointed observations on the morally right use of wealth: "The wells from which water is most drawn cause it to gush forth most readily and copiously; left unused, they putrefy. So too is wealth that remains immobile useless, while if it circulates and passes from one to another it is of common, fruitful use."[9] We see here an anticipation of the concept of common good that would emerge fully fledged centuries later.

In the typical late-medieval city, citizens moved above freely and exercised what we might call a primitive form of participatory democracy in such places as the cathedral, the town hall, the merchants tribunal, the guildhalls and confraternities, the market as the locus of trade and conflict, and finally the main square with its "parliament," i.e. the political assembly of all citizens where public decisions were taken. This was when the modern idea of freedom originated, conceived both as "republican liberty," i.e. the independence of the people organized as a commune from the power of the Emperor, and as personal liberty, i.e. the freedom to decide one's own life plan. The economy of the Italian cities consisted of manufactories and merchants and, in the coastal cities, seafarers. The merchants had the task of opening up new markets, even in distant cities, as export outlets for manufactures and sources of imported raw materials. The merchants were not only the most active agents of opening to other cultures but also the most active business innovators. Just think of such institutions as the "commendam," forerunner of the limited liability company; insurance; double-entry bookkeeping and business accounting (which the Franciscan monk Luca Pacioli put on a systematic basis in 1494); bills of exchange; pledge banks; and stock exchanges – all institutions without which self-sustaining, widely diffused economic development would have been impossible.[10]

The basis of this civic rebirth was a protracted process of economic and social evolution. In the economic sphere this involved the rise of manufacturing, chiefly textiles, with significant technological advances (the broad loom) that allowed the institution of large workshops employing hundreds of workers. Meanwhile the invention of the mechanical clock made it possible to measure work time, hence to monitoring the productivity of wage labour. Finance and international banking developed so greatly that bankers were often decisive for the outcome of diplomacy or war between rival powers.

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[9] Basilio di Cesarea, "Il buon uso della ricchezza", Piacenza, Berti, 193l, p. 22. From a homily by Basil, bishop of Cesarea in 370 A.D.

[10] The first pledge bank (*Montes pietatis*) was founded by a monk, Michele Carcano, in Perugia in 1462. It was intended to serve the poor but not the destitute, people who did need help but not charity. That is, the needy person had to learn to redeem himself: that was the purpose of this kind of "charitable credit". The idea behind the pledge banks was that goods, above all money, must be used for the common good; in fact, merchants were recognized as guarantors of public well-being because they could bring together, synergically, producers, consumers and professionals.

The most important development of all, however, was the cultural revolution with the rebirth of the arts, philosophy, theology and law. With all their countless differences, the humanists all shared the firm belief in the intrinsically social nature of human beings. This idea would be essential for the development of the market economy. Matteo Palmieri wrote in his *On Civic Life* (mid-1430s): "Of all beings, the most useful to man is man. He cannot hope to get from others those goods that he can obtain only from his fellow men."

As Remo Guidi's monumental work demonstrates, Christianity had to issue forth eventually in Humanism, because Christianity centres on the Incarnation[11] – which the Church fathers somewhat surprisingly called *Sacrum Commercium* to underscore the profound reciprocal relationship between the human and the divine and recall that the Christian God is a God of men living in history and that He takes an interest in their material condition. To love life, therefore, is an act of faith, not just of self-interest, since the Catholic ethic sees in the love of one's fellow man an instance of the love of God. This belief opens the way to optimism for the future, since man's works have not only a other-worldly purpose but also meaning and value here and now. So there is no break between medieval theology and Humanism. This implies that the thesis that is still dominant in current historiography – namely that the rise of the market economy was a total novelty that broke with *Christianitas* built upon *Caritas* – is incorrect. In other words, the traditional reading, in which the culture of contract so central to the market economy is opposed to the culture of reciprocity on which medieval *communitas* was based, is not credible.

As Giacomo Todeschini has authoritatively observed, there is no solid foundation for the belief that a "charity economy" and a "profit economy" – hence the economic rationality of the early modern era and that of subsequent centuries – are utterly irreconcilable.[12] Relying on the recent work of Sylvain Piron, who has shown that even before the modern era the relation between gift and market exchange meant that economic dialectics could be seen as an interaction between categories that held a shared system of values, Todeschini notes that the moral and legal justification of profit rested on the merchant's willingness to treat his counterparty properly, i.e. not to make him pay the highest possible price given the state of the market. The difference between the two – the theoretically possible price and that actually charged – was a gift, the product not of generic charity but of the need for unequivocal definition of an economic space occupied by persons who recognized each other as belonging to the same ideological universe. This is the sense in which charity and profit could be considered by the Franciscan scholars (Olivi, Duns Scotus, Bernardinio of Siena, Bonaventura of Bagnoregio, Ockham, and others) and by the most attentive observers of urban civilization as two sides of the same economic reality.

2.2 One of the crucial features of urban civilization is the market economy, properly conceived as a structure for governing economic transactions (not just the physical site of exchanges, which already existed in Greek and Roma antiquity). Its three regulatory principles discussed below all derive in one way or another from Franciscan thought, which was the first true school of economics, as Joseph Schumpeter himself acknowledged in his monumental *History of Economic Analysis*. Todeschini has shown that Franciscan thought introduced two major innovations to the intellectual horizon of the day.[13] One was the idea

[11] R. Guidi, *Il dibattito sull'uomo nel Quattrocento* (Tielle Media, 1998).
[12] G. Todeschini, "Credibilità, fiducia, ricchezza: il credito caritativo come forma della modernizzazione economica europea" in P. Avallone (ed.), *Prestare ai poveri* (Rome: CNR, 2007).
[13] G. Todeschini, *Ricchezza Francescana. Dalla povertà volontaria alla società di mercato* (Bologna: Il Mulino, 2004).

that if the use of goods and wealth is necessary, their ownership is superfluous, leading to the conclusion that "thanks to poverty, it could be easier to use and circulate wealth" (p. 74). The second was the notion that if monks were to be able to exercise the virtue of poverty constantly, this poverty had to be sustainable, to endure in time. Which is why they turned to lay persons, the spiritual friends of the Order, for help, entrusting them with the management of money. The idea that some sort of functional division of labour was necessary took root and spread from here. Starting with the first Exposition of the Rule in 1241, the Order's analysis of poverty was extended to all of society. Men of culture no longer saw the "deeply economic content of the choice of poverty made by St. Francis and his followers" solely as the way to individual, Christian perfection but also as "a socio-economic order for the community as a whole" (p. 81). Around the same time, in the work of such men as Bonaventura da Bagnoregio, Hugh of Digne and John Peckham, the principle began to form that the economic sphere, the governmental sphere (*civitas*) and the evangelical sphere (in the Franciscan sense) "are three degrees of the organization of reality, different but capable of being integrated" (p. 82). If this integration occurs, it produces abundant fruits, so that what the voluntarily poor renounce can be used for the involuntary poor, until the latter eventually disappear entirely. And the integration of the three degrees can be attained only within an institutional arrangement – the market – that is founded upon three governing principles.

The first of the three principles is the division of labour, a way of organizing production enabling everyone, even the less physically or mentally gifted, to perform useful work. For without the division of labour only the more gifted would be able to procure what they need by themselves. And the Franciscan maxim popularly known at the time – that alms help you to survive but not to live, because living means producing, which alms do not help you to do – already contained an implicit condemnation of charitable assistance as unable to impart dignity. At the same time, the division of labour increases productivity through specialization and in practice obliges men to recognize their mutual bonds to others through exchange. For with the division of labour, exchange ceases to be marginal, episodic, and becomes the central moment in social organization. Recognizing their reciprocal dependence, wrote Erasmus of Rotterdam in *Enchiridion Militis Cristiani* (1503), men will be led to cooperate and to keep the peace, because mutual dependence makes war too costly (an idea that would be taken up again by Kant and Montesquieu).

The second principle is the notion of development, hence accumulation. Wealth needs to be accumulated, in this view, not only as a reserve against future contingencies, setting aside a part of each year's output, but also out of responsibility to future generations. Thus a portion of income must be allocated to productive investment, which expands the productive base and, ultimately, means making the economy into a positive-sum game. This spurred the organization of manufacturing labour, fostered the practice of training new workers through apprenticeship, and created an incentive to improve the quality of products by requiring craftsmen to produce a "masterpiece". A particularly eloquent definition of the concept of growth comes from Coluccio Salutati, who wrote, following his great predecessor Albertano da Brescia (ca. 1194-1250): "To dedicate oneself honestly to an honest activity may be a holy thing, holier than living in idleness and solitude. Because holiness attained through the rustic life serves only oneself … but the holiness of the industrious life raises up the life of many."[14] Clearly, here we are very far from the medieval canon condemning all economic production in excess of the strictly necessary ("*Est cupiditas plus habendi quam oportet*").

[14] Cited in O. Nuccio, *Il pensiero economico italiano: le fonti (1050-1450)* (Sassari: Gallizzi, 1987). See also M. Vitale, "L'impresa nell'Europa" in *Appunti*, 5, 2006.

The third principle, finally, is freedom of enterprise. Those endowed with creativity (the ability to innovate), a good propensity for risk (the willingness to undertake an action whose outcome is initially not known), and the ability to coordinate the work of many others (*ars combinatoria*) – the three essential qualities of the entrepreneur – must be left free to undertake initiatives without the need for prior authorization from a sovereign or other authority, because the active and industrious life ("*vita activa et negociosa*") is a value in itself, not just a means to other ends. At the same time, freedom of enterprise implies economic rivalry, i.e. the particular form of competition that takes place in the market. The *cum-petere* in the market is the direct consequence of freedom of enterprise, and reproduces that freedom. In a competitive economy the final outcome of the economic process does not follow from the will of some overarching entity but from the *free* interaction of a large number of actors, each rationally pursuing his/her own objective in the framework of a definite set of rules.

What is the practical implication of the requirement that interaction must be free? That no agent can be constrained by force or induced by a state of necessity to act. This means that a person who is enslaved, or totally uninformed, or so poor that he is in no position to decide does not meet the condition of voluntary action that the play of competition demands. On the other hand, the qualification of "pursuing interests rationally" postulates economic agents' ability to calculate; that is, both the ability to assess the costs and benefits of the options under scrutiny and to adopt a criterion for choice. Note that this criterion, contrarily to the conventional wisdom, need not necessarily be maximum profit (or utility). That is, it is not true that competition inevitably presupposes acceptance of the logic of profit. For the objective of the participants in the market game may be either self-interested or mutual; they may aim at the special interests of a particular group or at the common interest. What matters is that everyone must be clear on the objective he/she intends to pursue; otherwise the rationality requirement fails. Finally, competition requires well-defined rules known to all participants and enforced by an authority that is not party to the game. The first instance of a law created directly by those to whom it will apply was the formulation of the celebrated *Lex mercatoria* and the *Law of the Sea* by merchants and not by the sovereign. These conventions had two fundamental provisions: a ban on the concentration of power in the hands of one or a few agents in the form of monopoly or oligopoly; and the ban on the fraud or deceit in market transactions. It was not until the 17th century after the Peace of Westphalia and the birth of the nation-state that these laws came into state jurisdiction.

Through emulation, competition stimulates the spirit of enterprise and imposes rational calculation. Where there is competition, positions of rent and privilege cannot obtain. To be sure, competition is costly, but it improves quality by leading to greater "individualization" of products, giving them an identity; as in politics, where democracy certainly entails high costs but keeps the quality of civic life from deteriorating. As Bernardino of Siena said so forcefully in his "Vulgar Sermons" in 1427, if the end for which an enterprise is conducted is the common good, the social costs of competition will never be too high. In the 38th Sermon, "On merchants and masters and how to conduct markets" we read "For the common good trade must be exercised" (1101) and, further on, "It is a necessary thing for a City or a Community that there are those who work products into another form. As there is wool and those who work it; it is legitimate that the wool-maker gain. Every one of those can and should gain, but with discretion. With this, it being always understood that in the trade you exercise you act only straightly. You must never use cunning; never falsify your goods, you must make it proper and if you know not how, first you should let it be, let it be done by another who can do it right, and then gain is licit" (1138).[15] So if the merchant uses his wealth for the common good, his activity is not only legitimate but virtuous.

This passage from Bernardino illustrates the difference between the civil market and capitalist market nicely. Then as now, the three principles are the elements that identify a market economy of whatever kind. What is missing is a fourth element, the one that tells the specific end pursued by the participants. This may be the *common* good or the *total* good. The common good is the object of the civil market economy; the total good, that of the capitalistic market economy. The Catholic ethic is basically the ethic of the common good and is thus perfectly compatible with the spirit of the civil market economy – indeed, it is at its origin. What makes market activity legitimate is the fact that exchange takes place in the framework of networks of solidarity; in other words, within a community. We can exchange to mutual advantage because before anything else we are bound by an *obligation*, a tie that ensures that the exchange will be civil. Essentially, for the Catholic ethic, what saves the market from degeneration is the logic of reciprocity. (For a thorough and deep examination of the notion of the common good I refer back to A. Barrera' contribution in this volume).

2.3 Starting in the late 16th century the civil market economy began to be transformed into the capitalistic market economy, though the definitive triumph of capitalism as a model of social order did not come until the industrial revolution. The role played by the intellectuals of the day was not irrelevant to the transformation. As Davide Canfora observes, the pro-republican literature of civil Humanism was gradually supplanted by a courtly literature revolving around the rulers.[16] There was thus installed a general inclination on the part of the "intellectuals" to surrender to the blandishments of the rulers, abasing the form of civil engagement. At the most, the intellectual was allowed to serve as educator or counsellor to the prince. Capitalism gradually replaced the logic of the common good with that of the total good, i.e. the "profit motive". Productive activity was directed to a single purpose, the maximization of profit for distribution among all the investors in proportion to their share of the capital. With the industrial revolution, the principle "*fiat productio et pereat homo*" was finally established, sanctioning the radical separation between the suppliers of capital and the suppliers of labour and definitively abandoning the old principle of things made to the measure of man ("*omnium rerum mensura homo*") that originally underlay the market economy. The simplest way to see that the profit motive as such was not a constituent element of the market economy is to refer to the writings of the civil humanists (such as Leonardo Bruni, Matteo Palmieri, Antonino of Florence and Bernardino da Feltre) and the civil economists of the 18th century (Antonio Genovesi, Giacinto Dragonetti, Cesare Beccaria, Pietro Verri, Giandomenico Romagnosi). A constant theme in their work is that market activities need to be oriented to the common good, from which alone they derive their prime justification. Among the earliest applications of the concept of common good to the medieval commune is *De bono comuni* (1302), a treatise by the Florentine Dominican Remigio dei Girolami. The central idea is that you cannot have the good of a part without the good of the whole to which it belongs; without an orientation to the common good, society destroys itself, and ultimately, its individual members.[17]

[15] Bernardino da Siena, *Prediche volgari sul Campo di Siena* (1427), edited by C. Delcorno (Milan: Rusconi, 1989).
[16] D. Canfora, *Prima di Machiavelli. Politica e cultura in età umanistica* (Rome: Laterza, 2005).
[17] See F. Bruni, *La città divisa. Le parti e il bene comune da Dante a Guicciardini* (Bologna: Il Mulino, 2003) for a fine historical reconstruction of the notion of the common good as opposed to private good, from Dante's *Convivio* to Guicciardini.

The question arises: what exactly is the difference between “common good” and “total good”? A metaphor may serve. While the total good can be rendered by the concept of the algebraic sum, in which the addends represent the good of the individual parties, the common good is more like a product, in which the factors are the good of the individuals. The meaning of the metaphor is intuitive: in a sum, even if some of the addends cancel one another out, the total will remain positive. Indeed, it could happen that if the objective is maximizing the total good, it may be best to cancel the good (or the welfare) of some, if the welfare gains of others are enough to offset the loss. In a multiplication, this is not the case, because the reduction to zero of even a single factor makes the entire product nil. In other words, the logic of the common good does not admit substitutability. You cannot sacrifice the welfare of someone – whatever his life situation or social position – to increase that of others, for the fundamental reason that that “someone” always enjoys basic human rights. For the logic of total good, instead, that someone is an individual, i.e. a subject identified with a particular utility function, and utilities can be readily summed up (or compared), because they are faceless; they do not express an identity, a personal history. Being common, the common good does not concern the person as a separate individual, but in relation with others. That is, it is the good of relationships between persons; it is the good proper of life in common. Common is that which does not belong only to oneself – as it is the case with private good – nor indistinctly to everyone – as it is the case with public good.

Basically, the key to the legitimacy or illegitimacy of market economic activity is reciprocity. Market exchange is ethically acceptable if it complies with – does not destroy – the principle of reciprocity. Which means that the gift as reciprocity becomes, in the modern economy, the “exchange road”.[18] The conclusion is that the modern notion of entrepreneur and the category of profit are products of medieval Catholic culture, which managed – not without difficulty – to insert the market, the true novelty of the times, within the corpus of the Scholastic theological elaboration thanks to the notion of the common good. The Franciscans were in the forefront in comprehending the positive aspects of markets and crafts. Both were considered as necessary activities for the “city” when they are directed to the common good, in that “no thing contributes so greatly to the common good as the utility of crafts and of the goods that are sold and bought” (Bernardino of Siena, Ib. 118). The very same “Minor Friars” who had made the vow of poverty their rule of life become the great specialists in wealth – a paradox indeed!

3. **Weber’s thesis**

3.1 The civil economy tradition teaches us, to put it in a word, that there is not necessary conflict between the pursuit of profit and the Catholic ethic. You can be a good Christian insofar as you are a good merchant or craftsman. What ensures the absence of conflict is the direction of economic action to the common good.

In the late 16th century the spearhead of the European economy started to move to the North, which began a slow but unstoppable process of cultural, social and political transformation that continued into the second half of the 18th century – that is, until the

[18] “From Raterio to Olivi, and with the significant mediation of canon and civil law, gifts were more and more clearly seen as a form of economic behaviour that could bring back into the civil concourse those who had left it.” G. Todeschini, *I mercanti e il tempio. La società Cristiana e il circolo virtuouso della ricchezza trad Medioevo ed Età Moderna* (Bologna: Il Mulino, 2002), p. 208.

industrial revolution, when all the preconditions for the transition from the civil to the capitalistic market economy had been established. The causal factors in the transformation were multiple. One was the influx of gold from the Americas, which immediately raised the level of prices, which eventually tripled. The consequence was twofold: the gradual impoverishment of the social classes, notably the nobility and the clergy, that lived on fixed incomes; and the swift and unexpected enrichment of the merchant bourgeoisie that lived on "profits upon alienation," i.e. the proceeds from the difference between the purchase and sale price of goods. Economic historians underscore this transfer of wealth from the old ruling classes to the nascent bourgeoisie as one of the fundamental factors in the primitive accumulation of capital.[19]

A second factor was the growth of long-distance trade thanks to the Age of Discovery. The consequent rise of commercial and industrial centers revived the class of merchant-manufacturers, leading to radical changes in the organization of production. For the need for greater stability of supply prompted tighter control over the production cycle on the part of merchants. At the start of the 17th century, the putting-out system used two centuries earlier in Italy and Flanders began to become widespread in England and France. At first it was the merchant himself who supplied the craftsman with the raw material and commissioned the finished product, while the work was done independently in craft workshops. Later, the merchant took over the ownership of the means of production and hired wage labourers, thus controlling every phase of the production process. The worker no longer sold a finished product to the merchant but only his labour capacity, which became his sole source of livelihood. In the countryside the process was facilitated by the spread, along with the putting-out system, of enclosure and by population growth. In the cities, the rise in prices impoverished the groups of workers – the lowest strata of the old guilds – whose incomes were set by custom; and at the same time it drove craftsmen whose products were no longer competitive with those produced by the merchant-manufacturers out of the market. The latter alone could handle the new risks of enterprise.

Another factor in the transformation is worth mentioning here: the birth of national states after the Peace of Westphalia. This was a long historical process whose roots stretch back to the struggle between communes, papacy and empire, but it gained decisive impetus in the second half of the seventeenth century with the need to unify markets and conduct economic policies in support of economic development. The centralized birth of the nation-states, in the end, took the administration of public affairs out of the hands of the citizens, relieving them of all responsibility for the common good and giving them an incentive for self-interested opportunism. The world of what had been common was transformed into a world of "common interests." Hence the opposition between public and private. As the location of what is common, what is public is set in opposition to what is private, which is the location of what is one's own. If the action of the State is always directed to care for that which is public, then the individual need only look out for himself. For three centuries from then on, war in Europe becomes war between nation-states, in which *raison d'ètat*, the national interest, prevailed over all else, even when, as in the Wars of Religion, there appeared to be a powerful ideological component.

So we can see why the category of the common good was no longer adequate to interpret the *res novae*, why it could never serve as a useful guide to economic action. It was gradually supplanted by the notion of the total good. Here, the influence of the Reformation

[19] For a more detailed treatment, see E. Screpanti and S. Zamagni, *A Profile of History of Economic Thought*, Oxford: OUP, 2004.

was crucial; its effects on economic life can never be overstated. The mutations in ecclesiastical organization, in the legal treatment of the goods of the Church, and in relations with the secular authorities all shook the pilasters of the preceding social order. For our purposes, within the Reformation special importance attaches to Calvin's doctrine of predestination, and more broadly to his stress on the individual's direct, exclusive relationship with God. Far from inducing loss of interest in this world in favour of the next, as one might think, this doctrine serve to mould patterns of conduct that ultimately proved to be of the greatest economic relevance. The Calvinist "secularization of holiness" led to the sanctification of labour and generally stimulated a powerful this-worldly activism.

3.2. This, then, is the context in which to place Max Weber's celebrated thesis that the Reformation encouraged – not, let us note, caused – the development of modern capitalism through the Protestant work ethic and the notion of "vocation" tied to the Calvinist idea of individual predestination. *The Protestant Ethic and the Spirit of Capitalism* (1904-05 and 1920) opens with a highly specific question: "What concatenation of circumstances resulted in the manifestation in the West, and here only, of cultural phenomena that, nevertheless, formed part of line of development of universal significance and validity?"[20] Seeking a meaningful answer, Weber begins by observing that "Protestantism has the effect of freeing the acquisition of wealth from the inhibitions of traditional ethics. It breaks the chains limiting the search for gain, not merely legalizing it but seeing it as the direct expression of the will of God". In particular, it is the Calvinist notion of asceticism – for Calvin, unlike the monastics, asceticism meant productive engagement in the world while controlling one's passions and impulses with reason – that according to Weber establishes the contiguity between Protestantism and modern capitalism. The Benedictine rule "*ora et labora*" (pray and work) is replaced by Calvin's "*laborare est orare*" (work is prayer), converting Catholicism's other-worldly asceticism into the this-worldly asceticism of Calvinist spirituality. And this is the genesis of the modern capitalist spirit.

The Reformation is thus a prime case, though not the only one in modern times, of the heterogenesis of ends. Luther and the other Reformation leaders (except Calvin) were hostile to economic issues and knew nothing of the workings of markets. They waged a fierce battle against the widespread practice, within Roman Catholicism, of corruption and the sale of indulgences. The Reformation bore only indirectly on the ethical sphere. Its real focus was theology and the religious life. Yet according to the current interpretation of the Weberian thesis, concerned as he was to protect religion from the influence of market forces, when he affixed his 95 theses to the cathedral door in Wittenberg, Luther supposedly wrote a capitalist manifesto. Is there some truth to this? I think not. First of all, it is worth repeating that, notwithstanding the assertions of no few scholars, Weber himself never maintained that capitalism originated in the Reformation. Rather, he wrote: "There is no point in trying to uphold so madly doctrinaire a thesis as this: that the 'spirit of capitalism' could only arise as the emanation of certain influences of the Reformation or even that capitalism as an economic system is a product of the Reformation" (ibid., p. 62). According to Weber, what needed explaining was not so much capitalism as modern capitalism and especially its rapid diffusion throughout northern Europe. It is worth noting that unlike Luther, whose knowledge of economic problems was narrow indeed and whose hostility to capitalist practices was notorious, Calvin was fully conscious of the financial business carried on in his stronghold of

[20] M. Weber, *Sociologia della religione* (1920-21), (Milan: Comunità, 1982), p. 3. See M. Scattola, *Teologia politica* (Bologna: Il Mulino, 200/) for a competent, thorough discussion.

Geneva and of their economic and social implications. So it is reasonable to argue that even though bourgeois values like thrift, perseverance, hard work, and so on, all received express recognition in Calvin's theology, modern capitalism as Max Weber defined it was more a side-effect than the deliberate aim of that religious persuasion.

And there is more. A careful empirical study of Weber's own region, namely Prussia, by Becker and Woessman has found that while there is indeed a significant positive correlation between Protestantism and economic success, this was due not specifically to Calvinist ethics but to the fact that the Reformation fostered literacy and schooling in general.[21] People, Luther and Calvin insisted, needed to be able to read the Scriptures for themselves, and in their own language. (Martin Luther, in fact, produced the first German translation of the Bible.) The resulting mass literacy had the unexpected side-effect of increasing the productivity of labour, hence economic prosperity. So it is true that Protestantism had a significant impact on economic growth where it became established, and in this sense the Weberian thesis is not disproved by research like that of Iannaccone or Delacroix and Nielsen, according to which no systematic influence on the development of capitalism in the countries of Europe can be ascribed to the Protestant ethic.[22] But Weber was mistaken about the channel through which this influence was exerted: the decisive factor was human capital, not protestant ethics. This is also the conclusion reached, by another route, by Niall Ferguson, whose careful historical inquiry shows that the higher rates of growth in the Protestant countries starting in the 17th century depended much more on political and institutional factors (more efficient bureaucracy and administration, better representation of special interests, a more equal distribution of wealth) than on theological ones.[23]

This point warrants further discussion. Against the theses of such thinkers as Marx, Sombart and R.H. Tawney, who held – in keeping with historical materialism – that Protestantism itself was generated by the rise of capitalism, Max Weber (with the support of the German philosopher and theologian Ernst Troeltsch) tended to invert the causal nexus. And in this, I believe, he was right. Fanfani was among the first Italian scholars to contest the Weberian thesis in his celebrated 1934 essay, which even today, ironically, is much better known abroad than in Italy.[24] The essay had a twofold aim: to back-date the rise of the "spirit of capitalism" to the late Middle Ages, when as we have seen the modern market economy took shape and at the same time to show that this spirit was a deviation or at least a moving away from Christian ethical principles. Both of these theses conflict with Weber. As Fanfani himself would write in 1976, in his mature years as historian, "the weakening influence exerted by the social conception of medieval Catholicism is what explains the rise and growth

[21] S. Becker and L. Woessmann, "Was Weber wrong? A human capital theory of Protestant economic history" CES Working Paper 1987, May 2007. This is one of a tiny group of works that have "tested" Weber's thesis using regional data (for 19th-century Prussia) and not cross-country data. International data notoriously suffer from severe problems of endogeneity, yet the bulk of the empirical literature has taken this approach. After isolating the positive effect of literacy on economic growth, Becker and Woessmann find that there is no significant difference, in economic success, between the Protestant and the Catholic counties of Prussia.

[22] L.R. Iannaccone, "Introduction to the economics of religion," *Journal of Economic Literature,* 36, 1998, pp. 1465-1495; J. Delacroix and F. Nielsen, "The beloved myth: Protestantism and the rise of industrial capitalism in nineteenth-century Europe," *Social Forces*, 80, 2002, pp. 509-553.

[23] N. Ferguson, *Economics, Religion and the Decline of Europe* (Washington: Institute of Economic Affairs, 2004). In what has become a classic, the eminent Protestant thinker A. Bieler also maintains that Weber and his followers greatly exaggerated Calvin's influence in the rise of modern capitalism. A. Bieler, *La pensée èconomique et sociale de Calvin* (Geneva: Librairie de l'Université, 1959).

[24] A. Fanfani, *Cattolicesimo e protestantesimo nella formazione storica del capitalismo* (Milan: Vita e Pensiero, 1934). This truly major work, translated into any number of foreign languages, brought formerly unknown documents from archives in Tuscany to light.

of the capitalist spirit in the Catholic world".[25] In Fanfani's judgment, the Reformation strengthened but did not initiate the degeneration of the Evangelical message, which had long been perceptible even within the Catholic world.

What underlay Fanfani's "strengthening"? The typically Protestant belief that salvation is an individual and not a community matter. Whereas in Catholic theology sin destroys the unity of mankind, in Protestant doctrine it is a rupture of the individual bond between man and God. And thus salvation becomes an eminently individualistic question. The practical consequence of this alteration of perspective was the elimination, in the Reformation, of the social works of Catholicism, which is to say the abandonment of one of the highest expressions of the essential role of the common good. And this in turn resulted in the transfer of an enormous mass of resources from the social sphere to the economy, thus favouring the accumulation of capital. To put it another way, the Reformation affected not only the demand side, as is nearly universally believed, by shifting people's preferences towards a greater propensity to work and save, but also the supply side, with an appreciable reduction in the cost of religious services and practices. The elimination of the ecclesiastical hierarchy, of indulgences, of pilgrimages and other rites, the construction of modest churches, and so on, all freed scarce resources (labour and capital) and channeled them to other, economically more productive uses.

In the light of Section 2 above, we are now in a position to locate the origins of Fanfani's incomprehension for the Weberian thesis.[26] The market economy did not arise as the antithesis to the Catholic ethic – as Fanfani believed – but was one of its most mature fruits. The fact is that at first the market was not a capitalist but a civil market. Its purpose was to serve the common good, not the total good. The decline of the Italian cities, beginning at the end of the 15th century had a series of causes, one of which was the establishment of profit as the main driving force of economic activity. The season of civil humanism, and its civil economy, was a brief one. The experience of freedom and the republics gave way to autocrats, principalities, and absolute monarchies, which paved the way to an epoch of authoritarianism far removed from the *libertas fiorentina* and the model of urban civilization. This explains why this brief period, with the institution of equality of citizens and freedom, including economic freedom, was followed in the 17th and 18th centuries by the forceful assertion of works of political and social theory in which Leviathan was given the task of uniting a civil society that had proven unable to govern the dynamics of community life and above all to make the process of economic development self-propagating.

The idea that was gaining ground, sustained and justified by Protestant theology, was that although man does indeed live in society, he does so only driven by necessity and interest and not because, as Aristotle taught, he is by nature a social animal. Life in community was seen as a phenomenon of the human condition, and experienced as a constraint from which it was impossible to escape. Man is a fundamentally egoistic and rational being, interested in maximizing his objective function subject to constraints that a theologically guided ethics points out. This vision precludes reciprocity – hence the free gift – is an essential dimension

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[25] A. Fanfani, *Capitalismo, Socialità, Partecipazione* (Milan: Mursia, 1976), p. 122. From a different analytical standpoint, Stark has recently come to the same conclusion, albeit with different arguments. See R. Stark, *The Victory of Reasonb. How Christianity led to Freedom, Capitalism and Western Success* (New York: Random House, 2005).

[26] "So Weber's explanation is inadequate, and we have to ask whether there weren't other ways in which Protestantism encouraged or constrained the capitalist spirit ... which, opposed and kept under control by Catholicism, became a social force when, *in the 15th century,* Catholicism began to decline, and was encouraged by Humanism, insofar as *Humanism weakened* Catholic ties" (Fanfani, *Cattolicesimo,* p. 166; emphasis added).

of being human, as anthropology along the lines of Augustine, Aquinas and the early Scholastic school so forcefully argued. It was against this illiberal and "non-civil" position that the Enlightenment, not only in France but also in Scotland and Italy, would react with such vehemence, and not against Humanist reciprocity, which instead was adopted as "fraternity" by the French Revolution (though it was then abandoned, or better, combated).[27] In other words, in Latouche's terms, the advent of the Reformation broke the link that until then had held the two dimensions of reason together: the "elder daughter" of Minerva, *Phrònesis* (wisdom, reason) and the "junior son" *Logòs epistemonikòs* (geometrical reason). And with it, these two "spiritual children" of Minerva were separated. "Protestant rationality" was identified with *Logòs* and "Mediterranean reason" with *Phrònesis*. The paradigm of instrumental rationality (the "rational choice" model), which is the true core of modern capitalism, thus found a hospitable terrain in Protestant spirituality.[28]

Our interpretation explains why, as early as the first half of the 19th century, there was a substantial shift in Protestant opinion both in Europe and in America, with the rise of a severe critique of the theory and practice of capitalism considered as the spirit of evil, the corrupter of all things. As Rizza notes with great precision, Ritschl and his school sought to reinforce the social side of Christian morals.[29] In England, F.D. Maurice (1805-1872) and then W. Temple (1881-1944) offered theological support for the protests of the working class, with unsparing and audacious criticism of the capitalist system. The same happened in Germany, with the work of F. Naumann (1860-1890), and in Switzerland with the Christian Socialist movement of L.Ragaz and W. Monod.

In polemical intensity, these lines of thought and action rivaled those of the Catholic world, as represented by W. von Ketteler (1811-1877), the Bishop of Mainz and the founder of what would come to be known as "social Catholicism"; Cardinal H. Manning of Westminster (1808-1982), whose essay on "Dignity and the rights of labour" prepared the way for *Rerum Novarum*; and L.J. de Bonald, Bisop of Lyon, who fought against the materialization of economic life under capitalism. But the most incisive critique of the theory and practice of capitalism as a system claiming to govern all the spheres of human life came from the neo-Calvinist movement led in the Netherlands by A. Kuyper and the neo-Orthodox movement inspired by Karl Barth and Emil Brunner. These Protestant thinkers were contemporaries of Max Weber, but he could not (or would not) take account of them. Had he done so, the whole debate would have taken a different course.

It is worth contrasting the most recent positions of neo-Calvinist theology with those of Michael Novak, one of the most influential contemporary students of the relationship between Catholicism and capitalism. After a frontal assault on Fanfani, accused of "anticapitalist sentiments" stemming from the acritical acceptance of Catholic corporativism, Novak seeks to show that a "democratic and liberal" capitalism that accepted democracy and recognized the primacy of politics over the economy not only would not conflict with the Catholic ethic but would be supported and given legitimation by it.[30] As one can understand, we are facing a sort of inversion of roles between supporters of Catholic and Protestant

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[27] See L. Bruni and S. Zamagni, *Civil Economy* (Oxford: Peter Berger, 2007) for a more extensive treatment.

[28] S. Latouche, *La sfida di Minerva. Razionalità occidentale e ragione mediterranea* (Turin: Bollati Boringhieri, 2000); original French edition, 1999.

[29] G. Rizza, "On Economics, Ethics and Theology," International Symposium of the Society for Reformational Philosophy on *Cultures and Christianity AD 2000*, Hoven, Netherlands, 2000. Includes bibliographical references for the authors cited in the text.

[30] M. Novak, *The Catholic Ethic and the Spirit of Capitalism* (New York: Free Press, 1993). More than a critique of Weber, Novak's essay is an effort to demonstrate the complete compatibility between "democratic capitalism" and the social doctrine of the Catholic Church as articulated in the past forty years.

positions vis-à-vis the spirit of capitalism. Once more, we see how the intellectual confusion engendered by the mistaken identification of market economy with capitalism spawns inconclusive diatribe.

4. Why resist the dissolution of an intellectual category?

4.1 Finally, let me turn to the third of my opening questions, which proves to be particularly helpful in testing the fundamental hypothesis of the True Wealth project. Why has the perspective of the common good as formulated by CST begun to re-emerge in the last quarter-century, like an underground river, after vanishing from sight for centuries? How has the transition from national markets to the global market during that same span of time made that perspective relevant and topical once again? Let me note in passing that these developments are part of a vast current of economic ideas whose subject is the connection between religious belief and economic performance. A new field of research has come into being of late, mainly in Britain and America – the economics of religion. Starting from the postulate that religious beliefs are decisive in shaping the cognitive maps of people and moulding the society's behavioural norms, this school seeks to measure how much a given religion has influenced, in a given country or territory, the formation of categories of economic thought, welfare programmes, education policy, and so on. After a protracted period in which the presumed secularization of society seemed to have put an end to the religious question, at least in economics, this new turn of events is certainly paradoxical. (More on this in M.L. Hirschfeld's paper, in this volume).

So we return to the original question with the observation that beginning in the first half of the nineteenth century the civil vision of the market and of the economy in general began to disappear from scientific research and from political and cultural discourse. The reasons were many and varied. Let me mention just the two most important. The first was the slow but steady spread throughout high European cultural life of Jeremy Bentham's utilitarian philosophy. His main work, in fact, dated to 1789 but would take decades to become hegemonic within the field of economics. It was with the utilitarian moral view that mainstream economics came to enshrine the hyper-minimalist anthropology of *homo oeconomicus* and simultaneously its socially atomistic method.[31] The clarity and deep significance of this passage are notable: "The community is a fictitious *body,* composed of the individual persons who is considered as constituting as it were its *members.* The interest of the community then is, what is it?— the sum of the interests of the several members who compose it." (1789 [1823], I, IV)

The second reason was the industrial revolution and the definitive establishment of industrial society. Industrial society is a society that produces commodities. Machines dominate everywhere, the rhythm of life is a mechanical cadence. Human and animal muscles were very largely replaced by more powerful forms of energy, explaining the enormous increases in productivity that accompanied mass production. Energy and machinery transformed the very nature of work. Personal skills were broken down into their elementary components. Hence the need for coordination and organization. A world was thus ushered in

[31] In the context of a clear discussion of the many definitions of social capital to-day available in the literature, J. Coleman (in this volume) correctly stresses the point that the central thesis of social capital theory is antiatomistic, in the sense that "relationships matter" .

which men were seen as "things," because it is easier to coordinate "things" than people, and in which people are separated from the roles they perform. Organizations – first and foremost, productive enterprises – deal with roles, not people. And this happens not just in the factory but all throughout society. Fordism and Taylorism represented the highest-level, successful effort to produce a theory of this model of the social order. The rise of the assembly line has its correlate in the spread of consumerism. Hence the schizophrenia typical of "modern times": on the one hand, the loss of the meaning of work (alienation due to the depersonalization of the worker) is pushed to extremes; and on the other, as if to compensate, consumption becomes affluent. Marxist thought and its practical applications by the socialist movement sought in various ways, as we know, to try to find a way out of this social model.

The complicated intertwining of and conflict between these two sets of reasons had important consequences for the theme treated here, namely the adoption – still present within today's society – of two opposed concepts of the market. One sees the market as a "necessary evil," an institution that we cannot do without because it ensures economic progress, but nevertheless an "evil" to guard against and to keep under control. The other sees the market as the ideal-typical place for solving the problem of politics, just as the liberal-individualistic position maintains. In this view the "logic" of the market must be allowed to extend, albeit with the necessary adaptations and refinements, to all the spheres of social life, from family to school to politics, and to religious practices.

It is easy to pick out the weaknesses of these two mirror-image conceptions of the market. The first, perfectly summed up in the aphorism that "government must not row but take the helm" is based on the fight against inequality. Only State intervention for income redistribution can diminish the differences between individuals and social groups. But that is not how matters actually stand. Inequality in the advanced Western countries, which had been reduced starting in 1945, have widened scandalously again in the last twenty years, notwithstanding massive State intervention in the economy. We know perfectly well the reasons for this tendency, involving the transition to post-industrial society: such developments as the application of information and communications technology to the production process and the creation of global labour and capital markets. But the point is to understand why redistribution cannot be an *exclusive* task of the State. The fact is that political stability is an objective that cannot be attained, within the current model of democracy – the elitist competitive model in the sense of Weber and Schumpter – by measures to reduce inequality but by economic growth. The endurance and reputation of democratic governments are determined much more by their ability to increase total wealth than to redistribute it fairly among citizens. And this for the simple, if unhappy, reason that "the poor" do not take part in the democratic game and thus do not form a constituency capable of influencing those who think exclusively in terms of political interest. So if we want to combat the endemic increase in inequality as a threat to peace and democracy, we must act primarily on the production of wealth and income, not only its redistribution.

What is it in the other conception of the market, so effectively conveyed today in the monolithic mind-set of the "one best way," that doesn't hold water? Simply that it is not true that the greatest possible extension of the logic of the (non-civil) market increases everyone's welfare. That is, the metaphor that "a rising tide raises all the boats" is false. The reasoning underpinning that metaphor is basically that since citizens' welfare depends on economic prosperity and since this is causally associated with market relations, the true priority of political action must be to guarantee the conditions for the greatest possible flowering of the market culture. The more generous the welfare state, therefore, the more it sets constraints on economic growth and thus runs counter to the diffusion of welfare and prosperity. Hence the recipe of a selective welfare system designed only for those who have lost out in the market race. The others, those who manage to stay in the virtuous cycle of growth, will protect their own interests by themselves. Yet the simple observation of reality unveils the logical inconsistency of this line of thought: economic growth (i.e. the sustained increase in wealth) and civil progress (i.e. the expansion of the spheres of personal liberty) no longer march together. In other words, the increase in material welfare is no longer accompanied by that in well-being. Reducing the capacity to include those who for whatever reason are excluded from the market, while it gives nothing more to those who are included, it rations liberty, which is always deleterious to public happiness. (The important contribution by D. Finn, in this volume, addresses the same problematic from a different albeit complementary perspective).

These two conceptions of the market, with their diametrically opposed philosophical premises and political consequences, have ultimately produced an unintended result at the cultural level, namely the dominance of an idea of the market that is antithetical to the one of civil economic tradition. This idea sees the market as a mechanism based on a twofold norm: the impersonality of relations of exchange (the less I know my counterparty the greater will be my advantage, because you do better business with strangers!); and the exclusively self-interested motivation of all those taking part in the market (so that "moral sentiments" such as sympathy, reciprocity, fraternity and the like are allotted no space whatever in the market arena). And so it came about that the progressive, majestic expansion of market relations over the past century-and-a-half ended up strengthening that pessimistic interpretation of human nature as posited by Hobbes and Mandeville: only the iron laws of the market, supposedly, can tame perverse impulses and anarchic drives. The caricature of human nature that in this way imposeditself has helped accredit a twofold error: that the sphere of the market coincides with egoism, the place within which every man pursues, as best he can, his own individual self-interest; and symmetrically, that the sphere of the State coincides with solidarity, the pursuit of collective interests. This is the foundation for the well known dichotomous model State versus market; a model, that is, in which the State is identified with the public sphere and the market with the private one.

4.2. At this point it is not hard to explain the revival in contemporary cultural debate of the concept of the common good, which is the cornerstone of the social Catholic code. As John Paul II made clear on any number of occasions, CST must not be seen as one more ethical theory on top of the many already set out in the literature but as a "common grammar" for them, because it rests on a specific point of view, namely that of care for the human good. In fact, where other ethics are founded either in the search for rules (as in positive natural law doctrines, according to which ethics is derived from legal norms) or in action (the neo-contractualism of John Rawls or the neo-utilitarianism of John Harsanyi), the fulcrum of Catholic social doctrine is "being with". The meaning of the ethics of the common good is that in order to understand human action you must take the standpoint of the person who acts (see *Veritatis Splendor*, 78) and not that of a third party (as in natural law doctrine) or the impartial spectator (as Adam Smith suggested). For the moral good, as a practical reality, is known first of all not by those who theorize but by those who practice it. It is the latter who are able identify it and hence choose it with certainty whenever it is in doubt.

In the Bull of Indiction of the Jubilee Year of 2000, *Incarnationis Mysterium*, we read: "There is also a need to create a new culture of international solidarity and cooperation, where all — particularly the wealthy nations and the private sector — accept responsibility for *an economic model* which serves everyone" (point 12, emphasis added). This passage is worth underscoring. Never in the long history of holy years had a Pontiff set out such a purpose as the aim – not just a more or less accidental consequence – of a Jubilee. Even more specific is the message for January 1st 2000 entitled “Peace on Earth to those whom God loves,” which reads: “In this context we also need to examine the growing concern felt by many economists and financial professionals when … they reflect on the role of the market, on the pervasive influence of monetary and financial interests, on the widening gap between the economy and society. … Perhaps the time has come for *a new and deeper reflection on the nature of the economy and its purposes*. … Here I would like to invite economists and financial professionals, as well as political leaders, to recognize the urgency of the need to ensure that economic practices and related political policies have as their aim the good of every person and of the whole person” (points 15-16; emphasis in original). What is new, and somewhat surprising, is the call to tackle the issue we are dealing with at the level of theoretical foundations, or rather its cultural premises. In the face of the capitalistic squalor of the tendency to reduce all human relationships to the exchange of equivalent products, the spirit of contemporary mankind rises up and demands another story.

The key word, the one that best expresses this need today, is “fraternity”. It was, as we know, one of the watchwords of the French Revolution, but it was dropped by the post-revolutionary order and eventually erased from the political and economic lexicon. It was Franciscan thought, as we have recalled, that gave the word the meaning it retained over the centuries, which was at one and the same time to complement and to transcend the principle of solidarity. For while solidarity is the principle of social organization that enables unequals to become equals, fraternity is the principle that enables equals to be diverse. Fraternity allows people who are equals in dignity and equals in fundamental rights to devise different life plans and express their charisma. The historical period now behind us, the 19th and especially the 20th century, were marked by major cultural and political battles – such as the labour and civil rights movements – in the name of solidarity, which was definitely a good thing. The point, however, is that a good society cannot be satisfied with solidarity only. A society with solidarity but not fraternity would be a society that everyone would try to escape from. For while a fraternal society is also characterized by solidarity, the reverse does not necessarily hold.

Just consider, for example, the extensive and far from concluded debate on what Arthur Okun (1975) famously called “the big trade-off” between efficiency and equity (or distributive justice). Is it better to favour the former or the latter? Is it better, that is, to expand the room for the exchange of equivalents, the principle of efficiency, or to give more powers to government to improve the distribution of income? Questions like this have filled the research agendas of a host of economists and social scientists, with results that, to be honest, have been quite modest. The reason is certainly not a lack of empirical data or the inadequacy of analytical tools. Rather, it is that this literature had forgotten the principle of reciprocity, whose specific end is to translate the culture of fraternity into practice. The failure to produce a credible solution to the trade-off, despite the quality of the intellectual forces deployed, is due to the failure to remember that a human society in which the sense of fraternity is extinguished – in which the only aim is to improve transactions consisting in the exchange of equivalents or to increase public welfare transfers – is an unsustainable society. A society without the principle of fraternity has no future. That is, a society in which there is only “give in order to receive” or “give out of duty” is incapable of progressing, which is why neither the liberal-individualist world-view, in which everything or practically everything is exchange, nor the state-centred view of society, in which all or nearly all is duty, is a safe guide to lead us out of the quagmire in which modern society is now bogged down.[32]

What to do so that the market can once again be an instrument of civilization, as in the Humanist age, a means for strengthening social bonds? This is the major challenge CST is today posing. That this is indeed an epochal challenge is confirmed above all by one question: In today's environment of capitalistic markets, is it possible that institutions whose *modus operandi* is based on reciprocity can not only emerge but also expand? To put it differently, what room is open for concepts like fraternity, reciprocity, and gift in a sphere like the economic, where the drive to impersonal relations and the irrelevance of interpersonal ties is not only strong but actually the condition for good business conduct? As I have suggested elsewhere, the answer of the followers of such scholars as Polanyi, Hirschman, Hirsch and Hollis (to name but the most representative) is that economic agents, acting in a market governed solely by the principle of exchange of equivalents, are led into strictly self-interested decision-making. With time, they tend to transfer this way of thinking to other social spheres, including those in which the public interest demands virtuous acts (a "virtuous" act being one that not only *is* in the public interest but that is performed *because* it is for the common good). This is Karl Polanyi's thesis of contagion: "The market advances over the desertification of society."

A.O. Hirschman's position (1982) differs somewhat in line of argument but converges on the same conclusion. He holds that since vitue is a good action repeated many times and whose value increases with use as Aristotle taught, virtue depends on a person's acquired habits. It follows that a society that favours economic and political institutions that tend to economize on citizens' use of virtue is a society that will run down its stock of virtue and will have great difficulty in reconstituting it. This is because like muscles, virtues atrophy with lack of use. Brennan and Hamlin (1995), in fact, speak of the "moral muscle": economy in the use of the virtues crowds out the very possibility of producing virtue. So the greater the reliance placed on institutions bound to the exchange of equivalents, the more closely the society's cultural traits and social norms will conform to that principle. Martin Hollis (1998) reached a similar if more sophisticated conclusion, with his "paradox of trust": "The stronger the bond of trust, the more a society can progress. The more it progresses, the more its members become rational and thus more instrumental in their mutual representations. The more instrumental they are, the less capable they are of according or earning trust. So the development of society erodes the bonds that make it possible and of which it has a continuous need" (p. 73).

Clearly, if these authors were right there is little hope indeed of a positive answer to our question. Luckily, though, things are not so desperate as they appear. First, to be acceptable the argument underpinning this reasoning needs to demonstrate that there actually is a causal nexus between virtuous dispositions and "institutions that economize on virtue," a nexus whereby agents, operating in the capitalist market, eventually acquire, by contagion, an individualist uniform (self-interest plus instrument rationality). Now quite apart from the fact that no such demonstration has ever been produced, the fact is that people with virtuous dispositions, acting in an institutional environment whose rules are forged on the assumption of self-interested, rational behaviour, tend to get better results than egocentric individuals. The fact is that the virtuous person in a market based on the sole principle of the exchange of equivalents "flourishes," because he does what the market rewards, even though his motive is

[32] For an extention of the argument see D. Finn, The Moral Ecology of Markets, Cambridge, UK, CUP, 2006. See also A. Barrera, Economic Compulsion and Christian Ethics, Cambridge, UK, CUP, 2005.

not to get the reward. As Brennan and Hamlin (1995) write, the reward reinforces his inner disposition because it makes the exercise of virtue less "costly".

Second, the thesis of Polanyi and the others requires that virtuous dispositions be the consequence of behaviour, but the exact opposite is true. Not even the most extreme behaviourism has gone so far as to maintain that behaviour is a *prius* with respect to one's natural disposition. And if the thesis were valid, there would be no explaining the fact that in today's societies dominated by institutions that "economize on virtue," we are witnessing an unprecedented flowering of organizations of civil society (voluntary causes, social cooperatives, social enterprises, non-governmental organizations, and so on). This is because the nature of factor that induces an agent to behave virtuously is relevant. For it makes a very great deal of difference whether a person behaves virtuously for fear of legal or social sanction or because of an inner motivation.

4.3. How can we think that the idea of restoring the concept of the common good to the economic sphere is anything more than a consoling utopia? There are two verifiable considerations. One is the recognition that at the basis of the capitalist economy there lies a pragmatic – not, clearly, a logical – contradiction. The capitalist economy is certainly a market economy, i.e. an institutional arrangement in which the two basic principles of the modern age are operative, namely freedom of action and of doing enterprise and the equality of all before the law. At the same time, however, the primary institution of capitalism – the capitalist enterprise – has been constructed over three centuries on the principle of hierarchy. A productive system has arisen consisting in a central structure to which a certain number of individuals voluntarily, for a price (a wage), transfer some goods or services of theirs, which once acquired by the enterprise entirely escape the control of those who supplied them.

Economic history has shown clearly how this came about, and we are also perfectly familiar with the great economic progress that this arrangement generated. However, in this period of epochal transition from the modern to the post-modern era, more and more voices are noting how difficult it is to get the democratic and the capitalistic principles to advance together. The key problem is the so-called privatization of the public. Capitalist enterprises are increasingly taking control of the conduct of individuals – who, it is worth observing, spend well over half their living time at the workplace – and taking that control away from the State and other institutions, first and foremost the family. Ideas like freedom of choice, tolerance, equality before the law, participation, and the like, coined and popularized in the age of civil humanism and reinforced during the Enlightenment as an antidote to the quasi-absolute power of the sovereign, are being appropriated and recalibrated by capitalist firms to transform individuals, no longer subjects, into the purchasers of the enterprises' own goods and services.

The dysfunction referred to above lies in the fact that if there are sound reasons for considering the greatest possible extension of democracy to be a good thing, then we shall have to start looking at what goes on *within* enterprises and not just at what happens between them when they meet in the marketplace. Robert Dahl has written "If democracy is justified in the government of the State, then it is also justified in the government of the firm."[33] A society in which democracy applies only to politics will never be fully democratic. A good society to live in will not force its members into uncomfortable dissociations: democratic as citizens and voters, undemocratic as workers and consumers.

[33] R. Dahl, *A Preface to Economic Democracy* (Berkeley: University of California Press, 1985), p. 57. See also M. Fleurbaey, *Capitalisme ou démocratie? L'alternative du XXI Siècle* (Paris: B. Grasset, 2006).

The second consideration turns on the increasingly common dissatisfaction with the way in which the principle of liberty is interpreted. As we know, there are three constituent dimensions to freedom: autonomy, immunity, and opportunity. Autonomy means freedom of choice. We are not free if we are not in a position to choose. Immunity means lack of coercion by outside agents. Essentially, this is the negative liberty ("freedom from") of Isaiah Berlin. Opportunity, or capability, as Amartya Sen uses the term, means the capacity to choose, to attain the objectives that the individual sets himself, at least in part. We are not free if we never at least partly realize our life plan. Yet while the free-trade approach ensures the first and second of these dimensions of freedom at the expense of the third, the state-centred approach, whether in the mixed-economy or social market economy versions, tends to give the second and third dimension precedence over the first. The free-market approach can indeed serve as the motor of change, but it is not equally capable of managing the negative consequences, due to the substantial time lag between the sharing of the costs of change and that of its benefits. The costs are immediate and tend to be levied on the weakest members of the population. The benefits arrive with time and tend to go to the most talented people. As Schumpeter was among the first to see, "creative destruction" is at the heart of capitalism – which destroys the "old" in order to create the "new" and creates the "new" in order to destroy the "old" – but is also its Achilles heel. The social market approach, on the other hand, in any of its many versions, assigns the State to deal with this asynchrony but does not modify the logic of the capitalistic market. It only restricts it sphere of operation and its incidence. By contrast, the distinctive characteristic of the common good paradigm is the attempt to keep all three dimensions of liberty together.

5. Conclusion

This essay advocates a point of view on the relationship between CST's criteria and an effective path to universal sustainable prosperity that is alternative to the two views that are prevalent today. One holds that the Catholic conscience cannot but be radically anticapitalist, seeing in capitalism an adversary to vanquish no less dangerous than Communism. This school appeals – too often naively and sometimes instrumentally – to the line of thought running from *Rerum Novarum* (1891) *through Quadragesimo Anno* (1931) *and Gaudium et Spes(1968)* to the *New Catholic Catechism* of 1992, which affirms: "The Church rejected the totalitarian and atheistic ideologies associated, in modern times, with 'communism' and 'socialism'. However, it also rejected, in the political practice of 'capitalism', individualism and the primacy of the law of the market over human labour." The other view – which is today in minority – contends that at least since John Paul II's encyclical *Centesimus Annus* (1991) there has been the long-awaited turnabout. That is the thesis of Novak and other intellectuals known in America as "neo-conservatives," who argue that the origins of the failure of what they call "democratic capitalism" to connect with the Catholic ethic lie in the mistaken identification of the "bourgeois spirit" with lack of faith. (On this specific point, see the provocative remarks by C. Longley in this volume).

My own idea is that both these interpretations, legitimate and interesting as they may be, are reductive: one takes justice, the other liberty as the sole governing principle for gauging assonance or dissonance between Catholicism and capitalism. As we have seen, Catholic thought has always refused this kind of dichotomy. Rather, its intent is to hold together the three basic principles of any social order – exchange of equivalents, redistribution, and reciprocity – acting not only on the cultural but also on the strictly institutional plane. Truth to tell, this project has not always – or should we say, almost never – been fully realized. Historically, deviations from the main stream – corporativist, capitalist, communist – have been the rule rather than the exception. Interestingly, where in 1891 Leo XIII identified the main problem as “the abuses of capitalism and the illusions of socialism,” a hundred years later John Paul II decried “the abuses of socialism and the illusions of capitalism.” But none of this warrants the conclusion that the Catholic ethic can be dragged to one side or the other and reduced to a partisan vision.

The guiding idea of CST is interdependence among the four principles. As the Compendium of the Social Doctrine reminds us (par.162): “The principles of the Church’s social doctrine must be appreciated in their unity, interrelatedness and articulation”. Of course the forms that it may take change with time and place, but the Catholic ethic can never be called on for cultural support for modes of production or economic organization that in practice, apart from verbal statements, deny the perspective of the common good that constitutes a sort of overarching framework.

That a kind of revival of the concept of the common good is under way today is confirmed by numerous signs, which speak, in essence, of a renewed interest in seriously considering the civil economic viewpoint, at least as a working hypothesis. There is nothing to marvel at here. When one acknowledges the looming crisis of our civilization, one is practically obliged to abandon any dystopic attitudes and dare to seek out new paths of thought. This is the spirit of the True wealth of nations project.