Building a civil economy

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Game theory or gift society? The narcissistic vision of the homo oeconomicus has failed to acknowledge long-documented evidence of the primacy of cooperation. In this Friday essay, Adrian Pabst explores the liberating potential of an anthropologically informed economics for the age of austerity.

Friday essay

Beyond *homo oeconomicus*

Modern economics assumes that human beings are fundamentally self-interested. This essay will challenge that assumption, drawing in part on the ideas of Karl Polanyi, Marcel Mauss, Luigino Bruni and Stefano Zamagni. By contrast with the idea of the self-interested *homo oeconomicus* (central to Adam Smith's Wealth of Nations), my argument is that humans are more relational, 'gift-exchanging animals' who are naturally disposed to cooperate for mutual benefit. In the following I will attempt to show how such an alternative anthropology can translate into a 'civil economy' and transformative policy ideas: rebuilding our economy and embedding welfare in communities.

The tradition of 'civil economy' builds on older notions of human beings as 'political animals' who are in search for mutual social recognition through the exercise of virtues that are embodied in practices and the exchange of gifts, as Karl Polanyi suggested in his seminal book The Great Transformation (whose contemporary relevance I have addressed elsewhere). In the wake of Marcel Mauss' work on the gift, this model emerged as a legitimate way of rethinking economics: humans are naturally social animals with dispositions to cooperate in the quest for the common good in which all can partake.

Moreover, some of the most innovative research in contemporary economics repudiates the modern, liberal separation of private and public goods in favour of 'relational goods' and a renewed emphasis on the reciprocal bonds of sympathy that always already tie individuals together – as shown in the ground-breaking book Civil Economy by the Italian economists Luigino Bruni and Stefano Zamagni. 'Civil economy' shifts the primacy from rights and contracts to the social bonds and civic ties upon which vibrant democracies and market economies depend.

Beyond State vs. Private

Spanish miners protest against the Government's announcement of further cuts to industry

The notion of 'civil economy' raises fundamental questions about the complex links between markets, states and civil society. Worldwide protests since 2011 reflect an implicit, inchoate awareness that 'big government' and 'big business' have colluded at the expense of the people. Both central bureaucratic states and unbridled free markets are largely disembodied from the mediating institutions of civil society, which in turn are subordinated to the global 'market-state'.

Building on Polanyi and G. D. H. Cole's guild socialism, one can suggest that an embedded model means that elected governments have the *duty* to create the civic space in which workers, businesses and communities can regulate economic activity and direct the 'free flow' of globally mobile capital to productive activities that benefit the many, not the few.

Instead of free-market fundamentalism or bureaucratic statism, it is the individual and corporate members of civil society who collectively determine the norms and institutions governing production and exchange. Politics and business serve the needs of society better when they allow worker representation in firms and involve free, democratically self-governing groups and associations in the governance of the polity and the economy (via national parliaments, regional assemblies or city halls in conjunction with a renewed guild structure).

Re-imaging Finance

At present global finance capitalism pervades the entire real economy. Here it is crucial to distinguish market economies from capitalism. Since its inception, following the dissolution of the monasteries and the 'enclosure' movement in the 16th century, capitalism can be described in terms of a series of layers built on top of the everyday market economy: agriculture, manufacturing and light industry. These layers – local, regional, national and global – are marked by ever-greater abstraction. At the top sits disembodied finance, seeking returns anywhere, uncommitted to any particular place or industry, and subjecting anything and everything to commodification. That's why an alternative political economy must reconnect finance to the real economy.

Today a renewed emphasis on the principles of reciprocity and mutuality can translate into policies that incentivise the creation of mutualised banks, local credit unions, and community-based investment trusts. The financial industry should eschew the dichotomy of public, nationalised and private, corporate models in favour of social sector solutions such as social investment banks, social grants or social impact bonds. The latter could encompass a wide range of areas such as restorative justice, local socio-economic regeneration, the environment, education or culture.

At national and supranational levels, caps on interest rates would help curb the predations of creditors upon debtors. Linked to such limits on financial domination are new incentives and rewards for channelling capital in productive, human and social activities.

One way to boost financial investment in strategic sectors (e.g. transport, energy, information and communication networks, education and R&D) is to create project bonds and use instruments such as risk-sharing finance facilities or loan guarantees. Project bonds will attract institutional investors such as pension funds, insurance companies and perhaps sovereign wealth funds because they reduce the risk for third-party investors who see long-term investment opportunities. In this way project bonds could help unlock the debt capital markets that remain blocked due to the sovereign and banking debt overhang.

To diversify and rebalance the economy, governments and parliaments could promote cooperation between non-profit organisations, social entrepreneurs and government agencies. Beyond current attempts to channel financial into social capital, the key is to link investment to 'charity' (and thereby bind contract to 'gift'). Rather than viewing charitable activities and social action as mere add-ons that play a compensatory role for finance capitalism, each financial investment can from the outset include new assets for non-commercial purposes.

Moreover, a share of the profits could automatically be reinvested in social enterprise. Such an 'organic' connection between investment and 'charity' would transform the very way global finance operates. The trillions of pounds which the now retiring generation of baby-boomers have to invest can be tapped into as a source of capital.

If the declared aim is to preserve the dignity of natural and human life, then all participants in the public realm have a duty to promote human relationships and associations that nurture the social bonds of trust and reciprocal help upon which both democracy and the economy rely.

Transforming welfare

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This emphasis on mutuality and reciprocity has equally far-reaching implications for welfare. The economic crisis, coupled with rapid demographic evolution, offers a unique opportunity not just to rebalance the economy but also to transform the welfare state. In a 'civil economy', state paternalism or private contract delivery (or both at once) give way to civic participation and community-organising, coupled with collective activity and state investment.

At best, centralised statist welfare plays a compensatory role in relation to *laissez-faire* economics. At worst, it is secretly complicit with the extension of the market into hitherto largely self-regulating areas of the economy and society.

The centralised and corporatised welfare state merely regulates the conflict between capital owners and wage labourers without fundamentally altering relations between capital and labour. Whilst it does provide some much-needed minimum standards, bureaucratic-managerial welfare subsidises the affluent middle classes and undermines (traditional or new) networks of mutual assistance and reciprocal help amongst workers and within local economies.

Indeed, guild socialists like Polanyi and Cole warned against a welfare model that traps the poor in dependency and redistributes income to the wealthy. At the hands of Thatcher, Blair-Brown and the Con-Lib coalition, successive governments have rationalised welfare and deployed benefits to fashion the freely-choosing, risk-taking individual removed from the relational constraints of nature, family, and tradition. With central targets and corporate outsourcing, welfare combines the worst of state collectivism with the worst of market individualism.

Thus, the link between different actors and levels is a series of abstract, formal rights and entitlements or monetised, market relations (or again both at once). As such, welfare beneficiaries are reduced to merely passive recipients of a 'one-size-fits-all', top-down service. State paternalism and private contract delivery cost more to deliver less, and they lock people either into demoralising dependency on the central state or financially unaffordable dependency on outsourced, private contractors.

At a time of fiscal austerity, ageing populations and the ballooning deficits of social security and pension systems, both the left and the right must look beyond redistributive policies to asset-based welfare and decentralised models that foster human relationships of communal care and mutual help.

There are systems that combine 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 action. Both initiatives reject old schemes such as 'befriending' or uniform benefits in favour of citizens' activity and community-organising supported by local council, centred on human relationships of mutuality and reciprocity.

Citizens join welfare schemes like social care as active members who shape the service they become part of. 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 (such as Participle), and the local council.

The reason why civic participation and mutualism costs less and delivers more is because it cuts out the 'middle man' – the growing layers of gatekeepers, such as managers and bureaucrats, who assess people's eligibility and enforce centrally determined standards. By bringing together providers and beneficiaries, a 'civil' welfare model provides services that assist genuine individual needs and foster human relationships.

But since such models require upfront state investment and continuous involvement of the local council, government is neither eliminated nor simply retrenched. Rather, the vision of civic participation and mutualism is inextricably linked to the decentralisation of the state in accordance with the twin principles of solidarity and subsidiarity (action at the most appropriate level to protect and promote human dignity and flourishing).

Beyond Economic vs. Social policy

Welfare can no longer be fragmented and divided along artificial lines. On the contrary, societies require a governing concept that binds together all aspects of welfare aid, including unemployment, social security, health, housing, education, and training. This means abandoning the separation of economic from social policy in favour of a more integrated approach centred on the consequences of public policy for human development and flourishing.

A first step is to complement GDP-based statistics with measures of well-being (e.g. the UN's human development index and General Well-Being). The next step must be to combine universal, objective ends or finalities with particular, personalised means or measures, putting the autonomy, participation and cooperation of workers, producers and consumers ahead of both bureaucratic and managerial control.

Moreover, welfare and social policy should put individual and communal capabilities at the centre of attempts to eradicate absolute poverty and reduce income and asset inequality. This will have to involve supplementing individual property and other rights with a communal sharing of common resources such as land and real estate.

As the work of the Catholic moral philosopher John Ryan and others shows, distributism is not just concerned with a wider spread of ownership or property but also extends to the crucial question of fair prices and just wages. Specific measures include, first of all, extending fair-trade prices and standards from agriculture and the food industry to other parts of the economy – including finance and manufacturing. This could be linked to firms that self-organise as part of renewed professional guilds, which promote the mutual sharing of good practice and operate a system of certification in recognition of certain economic, social, environmental or ethical standards (e.g. treatment of suppliers, workers, and clients).

Second, the economy would benefit if the minimum wage were replaced with a just, 'living wage' that reflects the true value of labour. Far from costing jobs, it would improve the lot of workers and their families and also raise productivity through higher job satisfaction and innovation.

Nor does it require statutory imposition. The example of London Citizens is very instructive — a network of different local communities and faith groups which are joined together in action by the principles and practices of Catholic social teaching and which have persuaded both City Hall and a growing number of corporate businesses to sign up voluntarily and pay their staff the 'living wage'.

The current crisis of global capitalism provides a unique opportunity to chart an alternative to the complicit collusion of central states and free markets that characterise liberal political economy. From this perspective, the proposed shift of focus from a self-interested pursuit of power or wealth (or both at once) to the quest for the common good opens the way for transforming modern economics. The alternative that this essay has outlined is a 'civil economy' whereby markets and states are embedded in the social relations and civic bonds that constitute society.