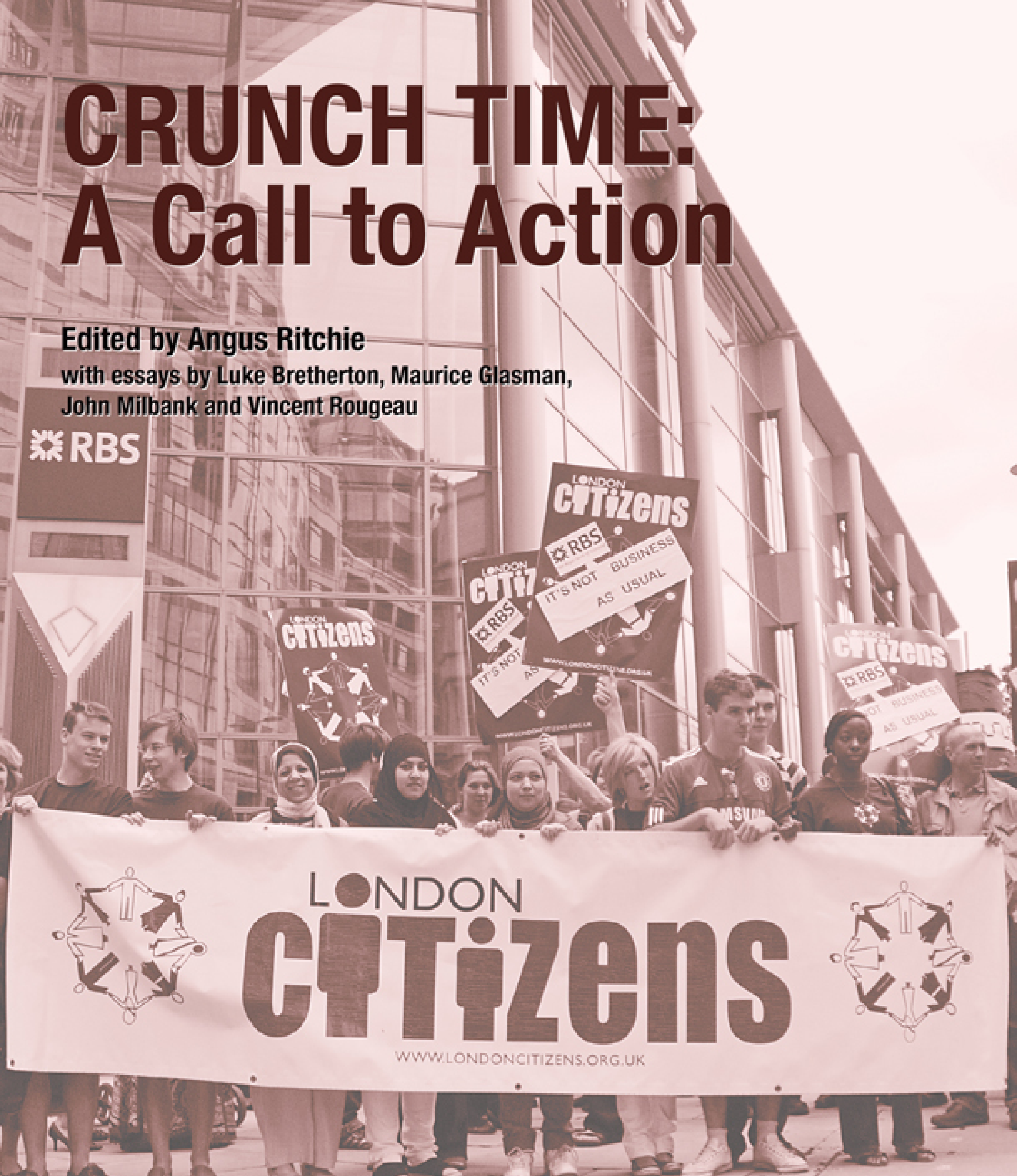
CRUNCH TIME: A Call to Action

Edited by Angus Ritchie

with essays by Luke Bretherton, Maurice Glasman, John Milbank and Vincent Rougeau



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Angus Ritchie
Feast of St Joseph, 2010

CRUNCH TIME

Angus Ritchie

Our current political debate has a surreal quality. It's not just that there is a gap between rhetoric and reality: it would be naive to expect anything else. The problem is that the gap has widened into a yawning chasm. Words and deeds seem badly out of kilter.

The gap between rich and poor continues to grow. As unprecedented sums of public money are spent bailing out the banks, the major parties all speak out against the trend to greater inequality. Yet we are miles off the poverty reduction target set in 1997. In this new climate of economic stringency, things are more likely to get worse than to get any better. It is the poorest communities who bear the brunt of unemployment and who will be hit hardest by the coming spending cuts. When the words of politicians seem so distant from voters' day-to-day experience, it is little wonder the public mood is one of disillusionment and disconnection.

Inevitably, those in power bear the brunt of the electorate's discontent. For all that, we have yet to see a surge in support for any other mainstream party. David Cameron is the first to admit that no-one has yet 'sealed the deal' with the voters. In the recent Euro-elections, it was fringe parties that made the most startling gains. Sometimes this too was surreal: Meybrow Kernow pushing Labour into fifth place in Cornwall. Sometimes it was far more sinister: the British National Party gaining almost a million votes in a low-turnout election. When the public loses confidence in the relationship between the language of politics and its reality, a very dangerous vacuum is created.

Where might we look for *real* change – for a way of doing politics that can reconnect words to deeds, hopes and lived realities?

This collection of essays begins to sketch an answer. It comes out of a growing movement which has a serious record of turning aspirations into action. Citizen organising began in the United States – and is most famous for training the young Barack Obama. There, as here, churches are a mainstay of the movement. Its record is impressive. In London alone, it has won over £30 million for low-paid workers, and secured the world's first Living Wage Olympics.

This movement is offering imaginative and realistic responses to the political and economic crisis; responses that are beginning to have an impact on the national debate. London Citizens is the capital's citizen organising alliance, and the largest constituent of Citizens UK. In June 2009, it held over a thousand one-to-one meetings which revealed the impact of the credit crunch on the capital's poorest families. A month later, members of the alliance moved from conversation into action. Standing outside one of the bailed-out banks, their aim was to highlight the movement of wealth involved in the rescue – a transfer *from* the poorest boroughs of the capital (who will bear the brunt of spending cuts) *to* its wealthiest area, the City of London. The people had bailed out the bankers. Now, the people were demanding a fresh look at the usurious practices of many of these banks – and a renewed attention to the teachings of the Scriptures on exploitative lending.

Of course, *calling* for a more just economic order and *achieving* such an order are two very different things. Citizen organising focuses on what it terms ‘winnable actions’. The proposals outlined and defended in this essay collection have emerged from a movement that is pragmatic as well as visionary. As Luke Bretheron explains, they developed over four months, in which the local leaders within London Citizens collected more testimony, carried out research, and then (in workshops and delegates assemblies) discerned which proposals would be of most benefit to inner-city families and households, while also being politically achievable. This very process is of immense value, giving those who are far from the Westminster village the experience of political deliberation and action.

At the end of this process, on 25 November 2009, London Citizens held a 2000-person assembly in the Barbican Centre. Once again, they were in the heart of the City. This time, however, their proposals were being presented to the Treasury spokesmen of the three main UK parties and leading figures in finance and commerce.

The essays in this collection present these proposals to a wider audience, and make a case for them which is both practical and theological. Luke Bretherton begins with a presentation of London Citizens’ five-point response to the credit crunch, before turning to the most radical proposal – the 20% cap on interest rates – and explaining its roots in the teaching of Scripture and Church. Vincent Rougeau’s paper is a reprise of an argument for a cap on interest rates which he published in 1996. He can hardly be accused of being wise after the event. We must hope the urgency of his proposals is appreciated rather more in 2010.

This collection ends with an extraordinary *tour de force* of political theology. John Milbank shows us a far wider canvas; arguing that our political and economic crisis stems from a flawed account of the nature and destiny of human beings. This enables us to see the relationship between Christian support for London Citizens' proposals and the wider mission of the Church.

This book, then, calls Christians to action on two related fronts: *both* to work with others for social justice *and* to articulate a wider vision - opening the whole of human life to the transfiguring grace of God in Christ. The economic and political crisis through which we are living poses deep questions about the things we ultimately hold to be beautiful, good and true. It is indeed a 'crunch time'. The answers we give, in deed as well as word, will shape our neighbourhoods and our nation for many years to come.

‘NEITHER A BORROWER NOR A LENDER BE’?[1]

Scripture, usury and the call for responsible lending

Luke Bretherton

This essay originated in a briefing for churches involved in or thinking of supporting London Citizen’s agenda for a constructive response to the recession and its proposals to ensure banks engage in responsible lending. London Citizens is a broad-based community organisation made up of over 150 member institutions including churches, mosques, synagogues, schools, university departments, charities and trade union branches. It is a democratic organisation that enables its members to build relationships with each other and so strengthen civil society and work constructively together in pursuit of goods in common such as safer streets, affordable housing or a living wage.[2] It is not aligned with any political party or ideology but will work with anyone, believing that while the market and the state have an important place, they must know their place, and so need to be held to account by ordinary people acting together for the common good. It is the experience of its members and the teachings of their scriptures that

[1] Shakespeare, *Hamlet,* Act 1 scene 3
[2] For more on London Citizens see: www.londoncitizens.org.uk.

it is not good for anyone if the power of money or the state or the interests of the few are too dominant in shaping family and work life and the neighbourhoods where we live.

London Citizens derives its programmes from listening to the real experiences and interests of its members and formulating innovative and creative responses, calling on politicians and business leaders to listen, respect and respond to these proposals. On occasions this involves tension and conflict in order to establish collaborative and constructive relationships: to be a good neighbour sometimes involves provoking others to recognise that I am indeed a person on whose welfare your own welfare depends—and not someone you can ignore and pass by on the other side of the street. It was just such a provocation and introduction of tension that we overhear in Jesus' telling of the Good Samaritan parable.

It was through listening to the experiences of its members and how they were affected by the financial crises and subsequent recession in 2009 that London Citizens, through deliberation and discernment among its member institutions, came to identify a need to call on the banks to be responsible neighbours by undertaking to be responsible lenders. However, the response formulated in 2009 was based on ten years experience of working to have a living wage paid to low wage workers across London. Out of that experience London Citizens began to listen to the people in its member institutions and work places to hear how the economic crisis was affecting them. It held up to a thousand one to one meetings over the summer of 2009, followed by over 100 house meetings within its member institutions to discuss the impact of the recession on ordinary people and to begin to formulate a constructive response, one built on the values of taking responsibility and reciprocity. At the end of September around a hundred representatives from across London met to debate and formulate what had been learnt to refine a constructive response. These proposals were then voted on at three assemblies at which over seven hundred people took part. The proposals represent the largest civil society and democratic response to the financial crisis developed so far.

The key proposals London Citizens is campaigning for are: i) the adoption of the Living Wage (modelled on the London Living Wage) as a commitment by all the major political parties in recognition that indebtedness among working families is often due to poor pay; ii) to curb usury through the introduction of a 20% cap on interest rates on unsecured personal loans by financial institutions (e.g. credit card companies, store cards, door step lending agencies). The measure would bring the UK in line with Germany, France, Italy and Poland each of which have around a 20% cap on the rate of interest that can be charged on unsecured personal loans; iii) expand local, mutual lending (e.g. credit unions) through infrastructural investment by banks and government so as to increase access to credit for the financially excluded; iv) the development of a Citizens financial literacy project in partnership with the banks for use in schools and colleges, one where both what it means to be a responsible borrower *and* a responsible lender are outlined. This would be piloted by schools in membership of London Citizens; v) call on all political parties to commit in their election manifestoes to establishing a statutory charter of responsible lending overseen by an established regulatory body. Such a charter would include measures such as the requirement for debt management plans, transparency of charges and criteria for responsible marketing.

The thread running through these five proposals is the need to re-balance the relationship between ‘money power’ and the power of ordinary people. At the heart of the proposals is a call to restore responsibility to both borrowing and lending, and to demand greater accountability from financial institutions. Hence the five proposals: the living wage is the best insurance against the working poor being forced into debt; the cap on interest rates safe-guards against the borrower being caught in a debt trap; the re-capitalisation of local, mutual lending ensures responsible, community-based forms of credit are available, so breaking the monopoly of the banks on the one hand and the power of the loan sharks on the other; financial literacy enables people to be more aware of the mechanisms of credit and the consequences of debt and to take responsibility for managing their money; and a statutory code for fairer lending binds the financial industry to greater accountability and transparency.

Perhaps the most controversial of these proposals was the call for the restoration of anti-usury measures in the form of a cap on interest rates. This proposal emerged from the heart of the Jewish, Christian and Islamic traditions that make up the majority of membership institutions of London Citizens. However, it also transpired that among the churches involved there was a hunger for greater understanding of the theological rationale for why, historically, the church took a severe stance towards the practice of usury. What follows is an attempt to address this felt need and locate concerns about usury to central doctrinal commitments of the Christian faith.

Usury in Scripture

The Bible has a great deal to say about the power of money. In particular, it is quite specific about how we should treat debt and lending. A primary narrative template for understanding salvation is given in the book of Exodus. The central dramatic act of this story is liberation from debt slavery in Egypt. The Canonical structure of Genesis and Exodus in the ordering of Scripture makes this point. The book of Genesis closes with the story of Joseph. At the end of this story, although saved from famine, the Israelites, along with everyone else in Egypt, are reduced to debt slavery.[3] This is a 'voluntary' process entered into in order to receive the grain from Pharaoh's stores that the people had given to Pharaoh for safe keeping in the first place.[4] After several rounds of expropriation the people finally come before Joseph and say: 'There is nothing left in the sight of my lord but our bodies and our lands. … Buy us and our land in exchange for food. We with our

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[3] Francis Watson, *Text, Church and World: Biblical Interpretation in Theological Perspective* (Edinburgh: T & T Clark), pp. 68-70. As Watson points out, what was an emergency measure, a state of exception, becomes a permanent ordinance that indentures the people while wrapping itself in the cloak of humanitarian concern.

[4] It is worth noting that, as Odd Langholm points out, the question of what constitutes compulsion and the issue of whether a voluntary act was really done under duress is central to the definitions of and debate around usury. Odd Langholm, *The Legacy of Scholasticism in Economic Thought: Antecedents of Choice and Power* (Cambridge: Cambridge University Press, 1998).

land will become slaves to Pharaoh.’[5] The first chapter of Exodus opens with a new Pharaoh who takes advantage of the Israelites debt slavery to exploit them. So the Israelites were not prisoners of war or chattel slaves, they were debt slaves undertaking corvée labour on behalf of the ruling elite.[6] It is this condition that the Israelites are redeemed from. As David Baker notes the verb ‘go’ in ancient Hebrew is used for both the exodus and for the seventh-year release of debt slaves.[7] The linkage between liberation from Egypt and debt slavery is made explicit in Leviticus 25.35-46. In this text the prohibitions against usury and limits placed on debt slavery through the institution of jubilee are grounded in the relationship established between God and the people through the act of liberation from Egypt.

In the Gospels, Exodus is one of the key framing narratives that shape the presentation of Jesus’ life, death and resurrection. And the notion of redemption or Jesus paying with his life in order to liberate humans from our debt of sin is a *leitmotif* in the New Testament (Mark 10.45; Romans 6.21-23; Colossians 3.5-6). Indeed, the declaration of Jubilee – that is, the release from debt slavery – forms the basis of how Luke frames Jesus’ announcement of his purpose and mission:

> The Spirit of the Lord is upon me, because he has anointed me to bring good news to the poor. He has sent me to proclaim release to the captives and recovery of sight to the blind, to let the oppressed go free, to proclaim the year of the Lord’s favour. (Luke 4.18-19)[8]

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[5] Gen. 47.18-19.

[6] Gregory Chirichigno, *Debt-Slavery in Israel and Ancient near East* (Sheffield: Sheffield Academic Press, 1993); Isaac Mendelsohn, *Slavery in the Ancient near East: A Comparative Study of Slavery in Babylonia, Assyria, Syria and Palestine from the Middle of the Third Milennium to the End of the First Milennium* (New York: Oxford University Press, 1949).

[7] David Baker, *Tight Fists or Open Hands? Wealth and Poverty in Old Testament Law* (Grand Rapids, MI: Eerdmans, 2009), p. 140.

[8] For an extended reading of this text as a declaration of Jubilee see John Howard Yoder, *The Politics of Jesus*, 2nd edn (Grand Rapids, MA: Eerdmans, 1994), pp. 60-75. Yoder includes the Lord’s Prayer as a call for the proper practice of Jubilee with its use of the word *aphiemi* in the

And what Luke then depicts in Act 2 as a direct fruit of the outpouring of the Holy Spirit is the enactment of the Jubilee community where no one has debts because: 'All who believed were together and had all things in common; they would sell their possessions and goods and distribute the proceeds to all, as any had need' (Acts 2.44-45).

So at heart of the story of salvation we find the power of money and liberation from debt is a central concern. The admonition that we cannot serve both God and Mammon (Matt 6:19-24) is not a trivial matter: the central drama of salvation history is an act of liberation from debt slavery.[9] To put the pursuit of money before the welfare of people, and use money to re-enslave and exploit people, especially the poor and vulnerable, is to turn your back on God's salvation and deny in practice the revelation given in Scripture of who God is. Whereas to use money to serve the common good, and in particular to relieve the poor, is a mark of salvation. Here the parables of Dives and Lazarus (Lk 16.19-31) and of the Rich Fool (Lk 12.16-20) are instructive. In these parables the wealthy who hoard their riches, using them for their own aggrandisement and benefit instead of giving and lending to others in need are condemned as not only foolish but damned.[10]

This brings us to the specific biblical teaching on when and how we should lend each other money. Indicative of the direct teaching on lending money is the following from Exodus 22.25:

> If you lend money to my people, to the poor among you, you shall not deal with them as a creditor; you shall not exact interest from them.

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statement: 'remit us our debts as we ourselves have also remitted them to our debtors.' Ibid., p. 62.

[9] This is developed in a number of theologies of atonement. For example, Ambrose's *De Tobia* constitutes a complex allegory of sin and salvation that uses freedom from debt-slavery and the practice of usury as its central motif.

[10] David Mealand, *Poverty and Expectation in the Gospels* (London: SPCK, 1980), pp. 46-53.

Not lending at interest is directly equated with righteousness, as is set out in Psalm 15:

> O Lord, who may abide in your tent? Who may dwell on your holy hill? Those who walk blamelessly, and do what is right, and speak the truth from their heart; … who stand by their oath even to their hurt; who do not lend money at interest, and do not take a bribe against the innocent.

Whether these stand as condemnations of interest per se, or more specifically excessive or extortionate interest is a matter of dispute. The Hebrew word used in Exodus and Psalm 15 is *neshek*, which is probably derived from the proto-semitic root of *ntk* or *nsk* meaning ‘bite.’[11] In the Old Testament at least usury can be used as a synonym for charging any kind of interest and is condemned as immoral in relation to those subject to covenantal obligations.

In the law given to the Israelites, central to the faithful witness of the People of God is that they do not make each other debt slaves and exploit each other in pursuit of money. Neither land (the basis of the covenant) nor the people (who were saved to serve God) are to be exploited for personal profit. Rather they are to be good neighbours to each other and good stewards of the land. The proper ordering of lending and borrowing directly effects the right ordering of communal relations. This is because the proper relationship between the land and the people is at stake. The land and fellow Israelites were non-fungible goods given by God as gifts for the flourishing of all. Possession of land did not entitle the holder to exclusive use. Human ownership and use of created goods was limited because God is the ultimate owner: humans are simply stewards of what they have received from God.[12] To convert land or people into fungible goods of no greater value than

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[11] Samuel Loewenstamm ‘neshek and ma/tarbît,’ *Journal of Biblical Literature* 88:1 (1969), 78-80; Baker, *Tight Fists or Open Hands?*, p. 260. There is some dispute over what kind of interest *ne□ek* represented and how it differed from *tarbît*. On this see Jacob Milgrom, *Leviticus 23-27* (New York: Doubleday, 2000), pp. 2209-2210.

[12] Albino Barrera, *God and the Evil of Scarcity: Moral Foundations of Economic Agency* (University of Notre Dame Press, 2005), p. 54.

anything else is not only to instrumentalize them for one's own benefit, and so place one's own welfare above the good of all, but to usurp God's title. In modern parlance we call such a process 'commodification': the treating of that which is not for sale as a commodity to be bought and sold. The extensive manumission laws of Exodus, Deuteronomy and Leviticus relate to debt slavery and are measures to keep in check such a process of commodification of land and people.[13] For example, in Leviticus, the Israelite who cannot pay back his loan cannot be made a debt-slave but remains free, and instead becomes a hireling of the creditor until he can amortize his debt.[14]

Treatment of the poor is a touchstone that marks whether relations of faithful, mutual responsibility that encompass the whole people are adhered to or not. The turning of people and land into property capable of being traded within a monetary economy is a direct threat to the proper ordering of economic, social and political relations and the concrete ability of all the people to participate in the covenantal order as those of equal value. The key issue at stake here is not usury per se (as will be seen, there is no absolute prohibition on usury in Scripture) but the nature of the relationship between the lender and the borrower as fellow members of the people of God. Both land and people belonged to God and were not to be expropriated for personal gain or monetized as commodities to be bought and sold. The Jubilee legislation served as a limit that disrupts any justification to permanently expropriate land through debt.[15] The land was to be used to provide the means of life, not converted through exploitation or monopolisation into a means for either the death or the enslavement of one's neighbour. As Albino Barrera puts it:

> YHWH as landowner affords sanctuary and provides sustenance to all sojourners who have been welcomed to reside in God's

[13] Chirichigno, *Debt-Slavery in Israel and Ancient near East*, p. 142.
[14] Milgrom, *Leviticus 23-27,* pp. 2204-2228.
[15] Walter Houston, 'What's Just About the Jubilee? Ideological and Ethical Reflections on Leviticus 25,' *Studies in Christian Ethics* 14:1 (2001), 34-47. On the debate surrounding the interpretation and dating of the Jubilee legislation see Baker, *Tight Fists or Open Hands?*, pp. 166-173.

> domain. Naturally by extension, guest and tenants who have been received to dwell on the land are expected to mutually respect each other and treat one another justly, if only because they are each equally under the landowner’s charge as his guests and tenants.[16]

Legislation concerning the lending of money frames it as a good thing to do as a response to someone in need.[17] But on no account should another’s misfortune be turned into an opportunity for personal gain. In Nehemiah we are given a picture where the rich and powerful Israelites have become like Pharaoh and are exploiting a famine to make others debt slaves (Neh 5.3-5). Nehemiah calls the ‘nobles and officials’ to repentance and in particular to stop charging interest on what they are lending and make restitution (Neh 5.10). The text is a depiction of what judgment, repentance and a return to faithfulness involves. In the New Testament, the story of Jesus’ encounter with Zacchaeus, a tax collector and probable moneylender, directly echoes Nehemiah. The sign of Zacchaeus’ repentance and that he really changed his ways is that he pays back ‘four times’ the money he extorted (Luke 19).

As can be seen central to the faithful witness of the People of God, in both Old and New Testaments, is that they do not actively make each other debt slaves and exploit each other in pursuit of money.[18]

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[16] Barrera, *God and the Evil of Scarcity*, p. 67.
[17] Lev 25.35-38; Deut 15.1-11. On the provisions for mandatory lending see Barrera, *God and the Evil of Scarcity*, pp. 97-99.
[18] It is often asserted that the New Testament contains no judgement as to the morality of usury. However, such a claim is rendered implausible if the New Testament teachings on the proper use of money are located within a broader understanding of the significance of debt and debt slavery in salvation history. Such an understanding makes explicit the continuity between Old and New Testaments concerning the judgment against usury. This kind of assertion also fails to reckon with the contextual background to the parables and teaching that explicitly mention usury. For example, Joseph Fitzmyer draws out how the prohibition against usury forms the key dramatic background to the parable of the dishonest manager in Luke 16.1-13 and is consistent with Old Testament teachings. Joseph Fitzmyer, *Essays on the Semitic*

However, there is no absolute condemnation of usury in Scripture. While neither the misfortune of the poor and landless is to be exploited for personal gain, nor the lending of money or goods to one's kin to be treated as an occasion for profit, usury is licit when it comes to 'foreigners' (Deut 15.3, 23.20; Lev 25.39-54). The distinction between the prohibition of usury in relation to those subject to the laws of Israel and its licitness when it comes to foreigners has long troubled Christian interpreters. A common way of reconciling the seeming contradiction is through some kind of contextualisation that thereby relativises the distinction. The suggestion is that because Israel was a peasant economy most loans were distress or consumption loans rather than loans for investment. By contrast, loans to foreigners were commercial loans relating to trade. However, this solely economic explanation is too reductive. Calvin, who is often associated with the economic contextualisation of the usury prohibitions in Scripture, is in fact closer to the mark when he states:

> Looking at the political law, no wonder God permitted his people to exact fenory [excessive charging of interest] from foreigners: because otherwise mutual reciprocity would not have obtained, without which one side must needs be injured. God commands his people not to practise fenory, and therefore by this law lays the obligation on the Jews alone, not on foreign peoples. Therefore, in order that analogous conditions may prevail, he concedes the same liberty to his people that the Gentiles were arrogating to themselves, because precisely this moderation is tolerable, where the position of both parties is the same and equal.[19]

Calvin brings to the fore the issue of power and how the equal and fraternal relations of mutuality that were possible in relations between the Israelites could not be expected between the Israelites and foreigners due to the asymmetry of power.

Background of the New Testament (Grand Rapids, MI: Eerdmans, 1997) pp. 161-180.

[19] John Calvin, *Commentarii in Libros Mosis necum in Librum Josue* (Amsterdam, 1567), p. 527. Quoted from and translation by Kerridge, *Usury, Interest and the Reformation*, appendix 1.

The Deuteronomic double standard on usury suggests that unlike in relation to murder or lying there is no absolute moral prohibition against charging interest. Although, as Calvin perceived:

> Usury has almost always these two inseparable accompaniments, viz. tyrannical cruelty and the art of deception. Elsewhere, the Holy Spirit, in praising the saintly, God-fearing man who has abstained from usury, likewise shows that it is very unusual to see a worthy man who is at the same time a usurer.[20]

One analogy for usury that helps us understand the ambiguity of Scripture in relation to usury is to compare it to a drug. Like a drug such as heroin, usury is both a poison and a remedy simultaneously.[21] Its ambiguity and double-edged nature, rendered explicit in the Deuteronomic double standard, is what makes the treatment of usury such a contested and confusing field of endeavour. To offer credit at interest is to serve an essential need in the monetary economy. As the history of capitalism suggests, profiting from interest-based credit and the levels of exchange it facilitates is a potent driver in the creation of monetary wealth, technical innovation and the provision of welfare. The effect of usury is to draw people into relationship with each other who ordinarily might have nothing in common or who are deeply suspicious of each other and have no shared life. At a concrete level, one fruit of modern economic globalisation is just such an increase in trade between enemies. However, as well as enabling exchange, credit also gives enormous power to the creditor, in some cases, it is a power to rival that of a king or an emperor, and

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[20] From Calvin’s 1575 letter to Claude de Sachin. Quoted from translation by André Biéler, *Calvin’s Economic and Social Thought*, trans., James Greig (Geneva: WCC Publications, 2005), p. 404. In his commentary on Psalm 15 Calvin repeats this observation and goes on to compare the usurer to a bloodsucker and murderer. Ibid., p. 413.

[21] Derrida points to the ambiguity in the word drug/*pharmakon* in his study of Plato’s *Phaedrus.* He notes how the term *pharmakon* – meaning a drug – can signify both a remedy and/or a poison. A *pharmakon* can be – alternately or simultaneously – beneficent and maleficent. Jacques Derrida, *Dissemination*, trans. Barbara Johnson (London: Athlone Press, 1981), p. 70.

its effects can be hugely destructive on social and political relations. The immiserating impact of debt repayments, whether on a personal level or among developing countries, are instances of this destruction. Myriad personal testimonies recount how the burden of debt leads to family breakdown, depression and in some cases suicide. Such is the destructive power of usury that Ambrose sees it as a form of warfare that was nevertheless lawful in relation to an enemy. As he puts it: 'wherever there is the right of war, there is also the right of usury'.[22]

Responses to Scripture

So Scripture has much to say about responsible lending and sees how we treat each other through lending and borrowing as a key mark of faithful witness. This may seem surprising to us, but the prohibition against usury was consistently upheld by the church as a vital sign of faithful witness right up to the modern period. Such was its importance that the prohibition of usury and the proper treatment of the poor in money matters was a central concern of the church councils. Incorporated into deciding matters of belief and practice were condemnations of usury. For example, the Council of Nicea (AD325), from which we derive the Nicene Creed, has a direct condemnation of usury (canon 17) by clergy.[23] This was then extended to lay people at the Council of Clichy (AD626). And the prohibition of usury was part of Canon law from around 1140 onwards.

a) Patristic

For the earliest theologians charging interest on a loan to someone in need was incompatible with Christian love. For example, Augustine held that we meet Christ in the poor man and should respond as Christ responds to our poverty with generosity and love

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[22] Ambrose, *De Tobia: A Commentary, with an Introduction and Translation*, trans. Lois Miles Zucker (Washington, D. C.: Catholic University of America, 1933), p. 67 (15, 51).

[23] Numerous other church councils continued with the condemnation. Notably, the Second Lateran Council (1139); the Third Lateran Council (1179); the Fourth Lateran Council (1215); the Second Council of Lyon (1274); and the Council of Vienna (1311).

and not as an opportunity for profit. For Ambrose, loaning a poor person money in their hour of need and then charging interest on the loan is like offering medicine that turns out to be poison. As Ambrose puts it, the poor man ‘begs for liberty, and you impose slavery.’ For all the Patristic writers, money, like all property, was given not for private enrichment but to be used in such a way as to benefit the common good, of which alleviating poverty was a central part. Even where limited interest was allowed by civil law, John Chrysostom encouraged those who heard his sermons to go beyond the law and act according to the order of love established by Christ.[24]

b) Scholastic

The medieval Scholastic theologians continued and developed the Patristic reflections on lending money. Aquinas and others were not against profit per se (as is sometime asserted) but ‘filthy lucre’: that is, unlawful and unjust profit. Specifically in relation to the lending of money, there were wide ranging and quite complex discussions about different kinds of loan and when interest could or could not be charged. Much of this was in response to the development of banking and trade from the twelfth century onwards. There emerged up to the Reformation a growing consensus that distinguished legitimate interest and usury. Legitimate interest related broadly speaking to questions of i) *indemnity* (where a payment was delayed, a charge was incurred as a form of compensation, analogous to a modern credit card arrangement); ii) *risk* (where there was a danger of losing one’s capital a charge could be made as a form of insurance against loss); iii) what was called *lucrum cessans* (interest could be charged where greater profit could have been earned with the money using it for something else, so the interest was a form of recompense); and iv) *remuneration* (a charge could be made for the work in

[24] For an extended discussion of Patristic teachings on usury see Robert Malony, ‘The Teaching of the Fathers on Usury: an Historical Study on the Development of Christian Thinking,’ *Vigiliae Christianae*, 27 (1973), 241-265.

managing a loan).[25] Usury became the illegitimate and/or excessive charging of interest on a loan. Another specific term for this was 'fenory' (from the Latin *foenus)* or in English 'ocker' (from the German *wocker*). Trading agreements and loan contracts where both parties were expected to gain were one thing; lending at usury, where only the usurer could profit, was quite another. Even where a charge was deemed licit, the ideal for many Scholastic theologians was that such a charge be measured or moderate. For example, the Fourth Lateran Council (1215) condemned those who were 'heavy and excessive' in what they charged. As one Elizabethan memorandum from the Public Records Office puts it: 'Usury and trewe interest be thinges as contrary as falsehood is to truth.'[26] Although, as with distinguishing truth from lies, it was not always clear-cut in practice!

For many of the Scholastics charging interest on a loan was unnatural or against natural law because it went against the true end or use of money, which was as a medium of exchange. Unlike a cow or a fruit tree, left on its own money could not grow or bear fruit—rather it was sterile. As the parable of the talents makes clear, if one puts a bag of gold in the ground it will not grow but will stay the same. Likewise, give a bag of gold to someone and unlike a house, an ipod or a pig, which is affected or changed by time and use, they can give exactly the same thing back. Thus to seek interest was to make money an end in itself rather than a means to an end and this was to make money act against its own nature (this was an argument originally put forward by Aristotle).

Beyond acting unnaturally, the excessive or illegitimate charging of interest was a mortal sin that led directly to hell. For example, Dante puts the usurer below the blasphemer and sodomite in the third ring of the seventh circle of hell (*Inferno* canto 17). Anselm saw usury as stealing from God because if money was sterile then what was really being sold was not money but time and this did not belong to humans but to God and could not be turned into a

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[25] Jacques Le Goff, *Your Money or Your Life: Economy and Religion in the Middle Ages*, trans. Patricia Ranum (New York: Zone Books, 1990), pp. 73-74.
[26] Quoted from Eric Kerridge, *Usury, Interest and the Reformation* (Aldershot: Ashgate, 2002), p. 5.

commodity because God had given time freely to everyone. So serious a sin was usury that the known usurer, like the heretic, could not be buried in sacred ground and the priest who did so was to be de-frocked. As with Zacchaeus, the only way to demonstrate real repentance was to make restitution of ill-gotten gains.

Anselm is particularly interesting because he developed one of the most important theologies of salvation: that of the substitutionary atonement in his work *Curs Deus Homo*. The forgiveness of debts without a charge is the central image of his theology of salvation. Contrary to many readings of his theology, salvation was not a kind of accounting process where Christ’s life was counted as an equivalent exchange for human sin. Instead of Christ’s death marking a demand of divine retribution or satisfaction it represents a divine act of grace that refused to hold our debt of sin against us.[27] So again, release from debts and not demanding like for like continued to be a profound analogy for the gift of salvation.

c) Reformers

Eric Kerridge argues: ‘The Reformation made no real or substantial change to fundamental Christian teaching about usury, not to any of the Christian attitudes to it, remedies for it, or laws against it.’[28] However, there is a somewhat heated discussion between scholars on whether such an argument is right. The key point of contention is whether there is an intrinsic relationship between Protestantism and Capitalism – a debate that need not concern us here. What can be said is that Luther, Zwingli, Calvin and the other Reformers all condemned biting usury or fenory. What the Reformers, and Calvin in particular were responding to was the need to distinguish between commercial agreements freely entered into between equals (where there is in effect a symmetry of power) and loans made to the poor in times of emergency or great need (where there is an asymmetry of power). In the latter case, consent may have been given, but it could hardly said to be given freely. Here the Reformers were directly echoing Scholastic concerns which themselves drew on Aristotle. The key analogy in these discussions

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[27] On this see Daniel Bell, ‘Forgiveness and the End of Economy,’ *Studies in Christian Ethics* 20.3 (2007), 325-344.
[28] Kerridge, *Usury, Interest and the Reformation*, p. 23.

was that of a ship's captain who has to throw his cargo overboard in a storm in order to save his life and his ship. While an act of free will, it could hardly be said to be voluntary in any straightforward sense. At best such action was forced by need and involved a 'mixed will.' Likewise, the one who agrees to pay interest by dint of necessity or at a time of distress acts under duress.[29] In such cases, lending at interest was an act of coercion and unjust.[30]

Distinguishing between commercial loans and usury was vital in contexts such as Geneva, Zurich and then Amsterdam and London where banking was crucial to the economic survival of Protestantism itself. The Reformers were not always that successful in making this distinction. However, they were clear that, as Calvin puts it: 'Usuries [i.e. the charging of interest in general and not fenory or biting usury] are not nowadays unlawful, unless and in so far as repugnant to equity and brotherly association.'[31] While Calvin does struggle to harmonise the different Scriptural texts when commenting upon them, the following comments can be taken as indicative of his advice in practice:

> I would never advise any man to put his money out to interest, if he can employ it any ways else. Yet when a man's whole estate doth lie in ready money, he may well contract with such and such persons, that upon such and such terms it may be lawful for him to receive benefit and profit thereby. But he must be very careful, that you do not let loose the reins to demand, and take excessive gains, as is the custom and practice of too, too many, nor should he grieve all grinds the face of that poor man with whom he has contracted, nor endammage the publick interest by his own private benefit. Wherefore upon the whole, I dare not approve of any interest, till I do first know how, and

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[29] Langholm, *The Legacy of Scholasticism in Economic Thought*, pp. 62-76. As Langholm notes, the issue of compulsion was not restricted to the debate over usury but was central to discussions of the just price and the justice of market exchanges. *Ibid*., pp. 77-99.

[30] This of course begs the question as to whether the acceptance of a consumption loan can ever not be based on some form of coercion.

[31] Quoted from Kerridge, *Usury, Interest and the Reformation*, p. 32.

> upon what terms, articles and conditions, and with what persons you do transact herein.[32]

Such was his concern that he supported the introduction of a cap on interest rates in Geneva as did Bullinger in Zurich and for Luther anything beyond 20% was ‘overmuch.’[33]

Conclusion

This paper began with a quotation from Shakespeare’s *Hamlet* and asked the question whether we should ‘neither a borrower nor a lender be’? The rest of the quote, often cited out of context, advocates absolute independence and not risking the vulnerability and tensions involved in borrowing: ‘This above all: to thine own self be true.’ This is not the Christian way. To be a lender and borrower are good things. To be a lender and a borrower is to be situated within economic relations of inter-dependence, cooperation and mutual responsibility that reflect the God given pattern of life set out in Scripture. To lend and borrow is to be drawn into real relationships that demand we have to negotiate a common life in which my flourishing is dependent on the flourishing of others. They are real relationships because, in a sinful world, they make explicit issues of power, risk and conflicts of interest that have to be addressed if we are to be real neighbours rather than a crowd of competitive individuals with no real connection or common life. Of course, and herein lies the irony we discovered in the recent economic crisis, the idea that we can be a crowd of competitive individuals is a utopian fantasy that does not connect with the reality of borrowing and lending where relations of interdependence and mutual responsibility are inherent in the action of borrowing and lending. If one part of the body suffers, or if only the interests of the few are attended to, eventually all suffer as the system collapses. Maintaining economic relations so they reflect the reality of inter-dependence and mutual responsibility requires limits to ensure that the vulnerabilities involved in being a lender or a borrower do not become occasions for exploitation, oppression and abuse. But it seems many of our politicians and business leaders are still keen on putting their faith in a fantasy

[32] Ibid., p. 34.
[33] Ibid., p. 41.

rather than reality. The proposals of London Citizens are an attempt to deal with the world as it is rather than a utopian one.

While clear in their condemnation of usury and consistent with Scripture the Patristic, Scholastic and Reformation writers were not naïve. Aquinas speaks for most in the Christian tradition when he says:

> Human laws allow some sins to go unpunished on account of the condition of imperfect men, wherefore much that is useful would be prevented should all sins be punished particularly by specific penalties. Therefore human law tolerates some usuries, not because considering them to be in accordance with justice, but lest many people's useful activities be interfered with.[34]

The questions confronting the church, past and present, is how to prevent unjust and extortionate interest rates, encourage responsible lending, and as Christians, point to a deeper reality and truer foundation for human life, one based on loving kindness and generosity, not maximisation of profit and the private pursuit of selfish interests. It is to these questions that the proposals of London Citizens address themselves. Whether one agrees with them or not the questions they are addressing are ones central to the very fabric of what Christians confess and how we are called on in Scripture to live out that confession.

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[34] Aquinas, *Summa Theologica*, qu. 78, 1.3.

REDISCOVERING USURY

A Reprise of an Argument from 1996 for Interest Rate Controls on Credit Cards

Vincent Rougeau

Almost fifteen years ago, I published an article in the *Colorado Law Review* that began with the following observation:

> Americans are known around the world for their love of shopping and the abundance of material comforts in their lives. . . . American economic policy is heavily oriented toward consumption, and it is consumer spending, more often than not, that carries the economy in and out of economic recessions. Over the last twenty years, various sectors of the American economy have been deregulated under the assumption that free markets, unfettered by burdensome government regulation, would produce increased competition and greater economic efficiency. A more efficient economy would produce more and better goods at lower prices, which would increase consumption and make the nation wealthier and thus 'better off'. During the same period, the economic theories that spawned deregulation increasingly found their way into aspects of American life beyond the traditional economic sphere. In a culturally

> contentious society faced with the demands of an increasingly global economy, the ‘rational’ and purportedly ‘value-neutral’ arguments of the market found widespread legitimacy as the language of fairness, reason, and material progress. At the same time, however, the legal and cultural constraints on free-market ideas that traditionally had been used to temper the effects of economic activity in order to fit it within a broader social context were increasingly marginalized.[1]

The article went on to argue for a legal cap on credit card interest rates. By the mid-1990s, the rate of interest on credit cards had been removed from the oversight of the usury laws of most US states. This allowed for a massive expansion of credit card use, because people who in the past would not have qualified for unsecured credit lines were now easily able to qualify. High interest rates ensured that the card issuers earned extraordinarily high profits that balanced any risk associate with the expansion of unsecured borrowing were obtained from the extremely high rates of interest. In many ways, both consumers and the economy benefited from the increasing use of credit. All kinds of transactions were made simpler and more efficient. Yet, expanding the use of unsecured credit by removing usury laws from the market ignored the irrational nature of a consumer culture. At best, lawmakers promoted an extremely limited view of what was good social and economic policy, a view that saw the satisfaction of material desires and the constant expansion of consumer spending as paramount. At worst, they understood the irrational nature of consumers all too well and were simply dismantling a long-standing legal regime in an effort to confer special benefits on the lenders of money:

> The establishment of realistic controls on the credit card market would be preferable to the current system for two important reasons: (1) as a legal policy, interest rate controls more fairly balance the interests of consumers and credit card issuers than

[1] Vincent D. Rougeau, “Rediscovering Usury: An Argument for Legal Controls on Credit Card Interest Rates,” 69 Colorado Law Review 1, 1-2. In reproduced sections for this article, footnotes from the original have been removed.

> the current laissez-faire policy; and (2) the market is not an entity that exists separately from the larger cultural values and traditions of our society. Usury laws have been used throughout history to exercise social control over economic relationships that, unchecked, tend to degenerate into exploitation and other socially counterproductive behaviour.[2]

Today, in 2010, both the United States and the United Kingdom find their economies hobbled by overwhelming consumer debt. An important question that can now be asked is, were the bubble markets created by the explosion of spending justified in light of the economic and social turmoil that now exists? Would a more modest pace of economic growth and expansion of consumer credit have prevented some of the more egregious abuses of consumers by lender, and some of the more foolish decisions by consumers? It is, of course, easy to say in hindsight that we would have been better off had we chosen another path, but it is worth considering the outlines I put forward in 1996 for modest control of credit card interest rates:

> Credit cards are an important and useful payment device, and although most people who have them appreciate the convenience, no one has a 'right' to a credit card. There is always a great deal of temptation to use them in an inappropriate or irresponsible way. Many people find themselves in debt because they cannot resist temptation, or perhaps because they are simply irresponsible. Others, however, are driven to use credit cards for all kinds of good reasons—for health care, emergencies, and basic necessities. Credit cards provide quick access to money whenever people think they need it, and people think they need money for both rational and irrational reasons. The law need not tell people when, how, and if they should incur debt, but it can control some of the consequences of indebtedness. At the very least, when interest rate controls are in place, the law does not countenance the taking of outrageous advantage, which

[2] Id., 3.

comports with a cultural tradition stressing compassion for people in positions of weakness and rejecting the accumulation of wealth for wealth's sake. The credit card industry, however, is engaged only in the business of making money, and it thrives by taking advantage of weakness. This is not to say that the industry should not be free to pursue profits. Individual consumers must have some measure of accountability for their actions if freedom is to have any real meaning in a democratic society. But it is equally appropriate for the state to control the profit-making impulse.

What typically has been proposed to control interest rates in the credit card market is a floating cap on interest rates tied to one or more of the major money market indices such as the [US] prime lending rate or the yield on [US] Treasury securities. This has an attractive administrative simplicity because credit card issuers are already using these benchmark interest rates for many of their cards. Consumers are also increasingly familiar with floating interest rates through such vehicles as adjustable rate mortgages. Furthermore, a floating cap on interest incorporates the economic reality of the ever-changing cost of money in the general economy. The most difficult part of the plan would be setting the 'spread' between the benchmark rate and the maximum credit card rate. Using the 1987 and 1991 congressional proposals for federally mandated caps on credit card interest rates produces some interesting results.

[A] 1987 proposal would have capped credit card interest rates at eight points above the rate for one-year Treasury securities. Currently (1995) the rate for these securities is 6%, hence the current maximum allowable rate under this proposal would be 14%. [A] 1991 proposal would have capped credit card interest rates at four percentage points over the rate charged by the Internal Revenue Service for overdue tax payments. That rate is now 10% and thus would also produce a rate of 14%. Both proposals produce the same rate in 1995, a rate significantly higher than the cost of funds for bank borrowing, the yields on most Treasury securities, and the prime lending rate.

Despite the difficulty in finding the most appropriate interest rate spread, a floating cap on interest rates is probably the best way to set a maximum rate. . . . Interest rate controls in the credit card market would have two major, immediate benefits. First, they would establish some card issuer discipline in a market that distributes credit cards like so much free candy. Credit card issuers would be forced to screen marginal customers more carefully and would probably be less willing to raise credit limits. More card issuers might be encouraged to use traditional lending standards when issuing credit. . . . Consumers might have less access to credit, but that is not necessarily a negative development. Less unsecured consumer credit in the economy may have socially beneficial effects, such as promoting savings, lowering indebtedness, discouraging impulse buying, and encouraging more community-based, mutual-aid type lending.

Imposing interest rate controls situates consumer credit law within the context of a balanced set of societal values. The present market approach projects the message that having the broadest possible market for credit is more important than the terms on which the credit is provided. It suggests that the law's primary purpose is to encourage spending and profit-making on whatever terms the market determines are valid. It also promotes a view of individual consumers and suppliers of credit as autonomous actors in the credit market, without any connection to larger community values and standards governing the terms of their bargains or the value to society of their activities. Currently, those who do not strike the best possible deals and those who pay too much or overextend themselves are considered poor market actors, irrational, or just plain dumb—they deserve what they get. Those who navigate the system successfully have a 'right' to whatever benefits come their way.

> Historically, the message of the law and the larger culture has not been so harsh. Both have recognized that although no one wants to be overtaken by debt, for a variety of reasons, people do things that are against their best interests. The law can at least attempt to prevent exploitation.
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> The most significant challenge to the idea of interest rate controls would be that it is inappropriate for the law to take a moralistic posture that restricts the freedom of individuals to make their own economic bargains and that limits freedom in order for the state to promote certain moral or cultural ideas about how people ought to behave. This challenge assumes, however, that by taking a laissez-faire approach to interest rate regulation, the state is remaining neutral on the question of consumer and card-issuer behaviour. . . . 'Neutrality 'in this instance promotes specific business interests, and encourages self-centered, acquisitive, market-oriented values. These values are promoted at the expense of other long-standing cultural ideals that have always been a part of Western legal thought and still find support in society at large, but they are difficult to express in the public sphere because they spring from moral and religious sources. Because our morality is increasingly personalized and Americans have become unwilling to 'impose' their values on their fellow citizens, we have little convincing public language that can be used to challenge the purportedly neutral, individually-oriented values of the marketplace. But all lawmaking involves the promotion of certain values over others. The issue is not so much the choice between legal neutrality on the one hand and the promotion of values on the other, instead, it is a choice of which values the law will promote.[3]

In 2010, London Citizens, in cooperation with the Industrial Areas Foundation (IAF) in the United States launched an anti-usury campaign, that targets the high rates of interest for various types of consumer credit, including credit cards. (In the US the campaign is

[3] Id., pp. 41-44.

called '10% is enough', whereas in Britain a 20% cap is being proposed, as part of the wider platform outlined in Luke Bretherton's paper.)[4] Although market rates of interest have hit historic lows during the last decade, interest rates remain high on many forms of consumer lending and exact a heaving toll on the incomes of low-income workers in particular. Interestingly, my proposal in 1996 would have offered relief the current campaign is seeking. If we were to add an eight percentage point spread to the current US prime lending rate, which is 3.25%, interest rates would be capped at 11.25%. The yield on a 1-year bond has averaged just under 1% during February of 2010. During the same time, the 10-year US Treasury bonds have been approximately the same as the prime rate, while the rate for a 30-year bond has averaged around 4.5%. If we add an 8% spread to each of those rates, we would get interest rate caps of approximately 9%, 11.25%, or 12.5%—all generally in the neighborhood of the10% requested by the IAF and London Citizens. What, then, is the source of the resistance to such a scheme? In 1996, I outlined the main arguments against usury laws that were most common at the time in the United States:

> From an economic perspective, interest is the cost to a borrower for the use of money over a specified period of time. The actual interest rate charged will reflect several factors, including (1) the relationship between the supply and demand for credit in the relevant market; (2) the element of uncertainty of repayment or the risk of default; and (3) the perceived cost of 'riskless' credit. These factors together will create a 'market' rate of interest. When a usury ceiling exists, market forces will determine the cost of credit as long as the market rate does not exceed the legal rate. If, however, the market rate is higher than the legal rate, lenders have no incentive to lend because the legal rate produces insufficient profit relative to the costs and risks of making loans. Lenders will decline to make loans at the legal rate and will look instead for investments that will earn a market rate of return. Consequently, there will be less credit available in the market affected by the usury statute, thus

[4] "Anti-Usury Campaign Launched at City of London Assembly," available at: http://www.londoncitizens.org.uk/

inhibiting the ability of consumers to express their preferences for goods in the economy with money. The prices and terms of the credit that is available will often be more restrictive because lenders will compensate for their inability to charge a market interest rate by lending to consumers who offer lower risk and by increasing costs related to borrowing that are not considered under the law to be interest, such as down payments, processing fees, and collateral requirements. These changes in the market will tend to fall most heavily upon those consumers with lower incomes because they are generally perceived by lenders as posing a higher risk of default, wanting smaller loans (which are less profitable when costs are high), being unable to pay increased fees, and being less likely to have collateral. Thus, from the perspective of liberal economic analysis, usury laws are counterproductive because they constrict the supply of credit in the economy and the ability of consumers of credit to make economic choices. Such laws hurt the poorer members of society because they are the least likely to get credit when usury law ceilings are below market rates. If one assumes that a major purpose of usury law is to protect lower income borrowers, then the economic analysis suggests that the laws harm exactly those people they are supposed to help.

Notwithstanding the impressive lobbying efforts of the credit card industry . . . reluctance to impose caps stems from more than special interest politics. It is also rooted in the very terms of the debate; in other words, in the construction of the arguments against interest regulation primarily in the language of liberal economics and individualism. The arguments in support of interest rate regulation, or usury laws, have a strong moral tone. These arguments are often seen as illegitimate justifications for legal policy in a liberal, democratic state. Furthermore, how one manages a credit card debt is an individual problem or choice. One may make unwise or irresponsible decisions, but Congress is unwilling to prevent people from exercising their ‘right’ to do so. The concerns that

> inspired usury laws over the centuries may still be relevant to the discussion, but as moral ideas, they are too value laden to compete with positions grounded in the culturally neutral, individually oriented 'rights talk' of the opponents. . . . By casting the debate over controlling interest rates in terms of the individual's freedom to choose and by threatening to deny access to credit, [credit card issuers] have been able to confound the opposition. Any attempt to examine the broader ramifications of the lack of interest rate controls in this market tends to devolve into an argument about freedom of choice and the benefits of the free market. Thus this transfer of wealth from the American consumer to the credit card industry has been met by no effective congressional response.[5]

The opposition to any controls on profit-making in the lending industry has been intense over the last quarter century, but as we confront the ongoing effects of the 'Great Recession', there is renewed interest in bringing lending abuses under control. Why would we reimpose usury laws? The reasons have changed little over the years. Indeed, it is remarkable to consider how relevant the reasons I provided in 1996 are to the situation we find ourselves in today:

> It is impossible to evaluate the current lack of interest rate controls in the credit card market without placing the issue in the context of the long-standing debate surrounding usury laws.
>
> There are few forms of economic regulation that have a more ancient lineage than the laws against usury. In the Western legal tradition laws prohibiting the lending of money for a profit were found among the Greeks and the Romans and were also part of ancient Jewish law. In the medieval Christian world, the taking of interest on money was seen as an affront to the universal brotherhood of man and was strongly condemned as immoral. Traditionally, prohibitions against usury in the Western tradition were grounded in the Aristotelian idea, later

[5] Id., pp.17-19.

promoted by Christian thinkers, that the purpose of money was exchange. It could be traded for another good, but its basic nature was sterile, and it could not reproduce itself. In other words, it was contrary to the ways of nature for money to produce more money. Usury was thus an act contrary to the laws of nature and, eventually, God's law. As capitalism grew in Europe, however, the prohibition against usury became more tempered. The abstract natural-law argument became increasingly difficult to square with Europe's growing commercial needs, and eventually "usury" came to be understood as the lending of money above the legal rate set by the sovereign. It is unlikely, however, that the natural law argument was the foundation upon which the prohibition against usury was built.

Societies have recognized throughout recorded history that people burdened with excessive debt are prime candidates for exploitation; civil and religious leaders in all parts of the world have assumed that laws regulating the taking of interest were necessary. Most usury prohibitions are grounded in deep ethical and religious condemnations of the exploitation of the weak, of socially destabilizing concentrations of wealth, and of the accumulation of money or wealth without an investment of labor. The traditional Islamic view, still widely accepted by many Moslems today, rejects the taking of interest on three major grounds:

(1) Interest or usury [excessive interest] reinforces the tendency for wealth to accumulate in the hands of the few, and thereby diminishes man's concern for his fellow man [;]
(2) Islam does not allow gain from financial activity unless the beneficiary is also subject to the risk of potential loss; the legal guarantee of at least nominal interest would be viewed as guaranteed gain [; and]
(3) Islam regards the accumulation of wealth through interest as selfish compared with accumulation through hard work and personal activity.

In the Christian tradition, three major arguments were advanced in support of usury prohibitions-usury is uncharitable, it breeds the sin of avarice, and it has undesirable social consequences. Simply put, usury was seen as a moral evil in society, and a rule of general application was needed to address its consequences. The endurance of usury laws through the centuries and throughout the world is an ongoing attempt by societies to grapple with specific moral issues in human and economic relations.

In the United States, usury statutes traditionally have been the province of state law. Over the last twenty-five years, however, a majority of lawmakers have come to believe that laws limiting an individual's right to negotiate the terms of a loan are economically inefficient and unacceptably "paternalistic." As an example of this change, Congress has intervened on various occasions to override state usury laws; in addition, many state legislatures have had little difficulty liberalizing or abandoning their usury laws in order to promote the growth of credit markets and local financial-services businesses.

By relying on the language of market economics, the opponents of interest rate controls for credit cards have been able to make their case in terms that are accepted increasingly in our social and political discourse as neutral. Opponents of interest rate controls are characterized as reasoned promoters of efficient markets and freedom of choice, whereas the proponents tend to be seen as moralizers or naïve populists. The proponents' attempts to talk about questions such as issuer greed, excessive profits, and consumer weakness come across as hopelessly rooted in ‘values’ and paternalism, and therefore undeserving of serious consideration in the public sphere. The idea that the market is one of the few institutions neutral enough to accommodate the varying needs and goals of a diverse society has become difficult to contest in American public life.

Liberal economics assumes that individuals are rational economic actors, who are motivated primarily by the desire to consume and acquire. Most economists do not suggest that this is a completely true representation of the way people always behave, only that it is a helpful simplification that serves as a reliable predictor of behavior, and that it is probably more reliable than any alternative hypothetical model. But as one becomes steeped in the language and the methods of liberal economics, it becomes impossible to remain objective as to the merits of this explanation of how the world works. Thus, most economists really do believe that the system tells the truth about the world. This happens not only to economists, but also to non-economists who speak the economic language.

The language of economics takes terms such as "self-interested" and "rational" and applies them to human behavior in a technical, market-oriented sense. Any negative or unrealistic connotations the words have when applied to human behavior in their ordinary way are disregarded for the purpose of economic analysis.

The language of economics is offered to the law as the language on which legal analysis should proceed and to the public at large as a way to explain our communal life. Although the system claims to be value-neutral, it tends to make rational self-interest central and habituates the individual to thinking in those terms. The public discussion of the issue of credit card interest rates indicates that the language of economics has become the language of law and public policy. Having asserted that a free market for credit is beneficial to society because more people will have access to credit (and thus will have access to the marketplace) and that interest rate controls are detrimental because they will take credit away from people (thus making market participation more difficult and denying them freedom of choice), the opponents of interest rate controls essentially rest their case. In a culture where the ability to consume and acquire is central to achieving happiness and satisfaction, such an argument might be sufficient. Although one could argue that this indeed describes the core of the American cultural experience, there is some hopeful evidence to the contrary.

Our actions are not driven by market values alone. Certain cultural concerns have remained constant in society's struggle with the concept of usury laws. Despite the tendency for these ideas -to be overlooked in public discussions of interest rate regulation, they continue to resonate throughout American culture and are quite relevant to any discussion of the credit card market. Aristotle condemned the acquisition of wealth for wealth's sake as unnecessary and potentially unlimited. In the United States, there is a historical distrust of banks and the banking industry that can be traced to the earliest days of the republic. This distrust is based in large part on the huge amounts of capital amassed by banking institutions and how those institutions have tended to exercise undue influence over the political and economic system. Today, this concern is often dismissed as so much populist nonsense, but [the savings and loan crisis of] the 1980s [and now, of course, the ‘Great Recession’ of 2008-2010] showed that the general public is wise to be suspicious. The federal government, and consequently the nation’s taxpayers, has borne huge costs as a result of banking deregulation.

The recent history of the credit card industry demonstrates yet another large transfer of wealth to the financial services industry, although this time it comes directly from consumers [and not from the government. In the current recession we see, once again, massive financial transfers form the public fisc to the banking industry]. Nonetheless, there is very little acceptable public language to discuss explicitly what many people believe implicitly—that credit card issuers have been taking advantage of consumers to a degree that is at best unseemly and at worst unconscionable. Such a belief suggests a value standard by which the conduct of credit card issuers can be judged and that, at a certain level or under certain conditions, there is a point where profits become excessive. The value assumption makes it difficult to express these ideas in a public forum and have them discussed in any serious way.

When Senator Alphonse D'Amato introduced legislation to cap credit card rates in 1991, he stated that bank profits on credit cards were unreasonable and that card issuers were charging ‘usurious’ rates. He contended that the large banks were gouging the middle-class borrower in order to prop up their sagging bottom lines. He also noted that during the mid- 1980s credit card issuers had assured Congress that letting the free market work would be the best way to bring credit card rates down, but as of 1991 rates were even higher—this despite a substantial drop in the cost of money. In his statements about the state of the credit card market, Senator D'Amato had tapped into strong feelings that have long anchored the idea of usury laws. He also pinpointed the tendency of Congress to rely on the ‘free-market argument’ to a fault. But almost more interesting than the comments of Senator D'Amato [was] the violent reaction they produced. George Will, a highly respected member of the Washington press corps, attacked the Senator in a column that can only be described as vicious. Will stated that D'Amato "could not be trusted to run a lemonade stand, but says he knows just what bank profits are 'fair' and 'comfortable,' what rates are 'reasonable,' 'adequate,' and 'appropriate,' and he knows banks are 'gouging' and 'ripping off’ credit card customers in ways that are 'shocking' and 'usurious.’" Will went on to say that D'Amato was ‘raving’ and that it took Senator Jake Garn to inject ‘fact’ into the discussion. Garn had noted that high credit card rates subsidize the less creditworthy and are justified

> because credit cards do not have secured backing, have high default rates, and are costly to administer.
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> Senator Garn's comments are easily recognizable as the cost argument, which, as has been demonstrated above, becomes specious when placed in the context of credit card issuers' profits. Yet, in George Will's opinion, Senator Garn spoke the truth, while Senator D'Amato was raving. Regardless of one's opinion of Senator D'Amato or Mr. Will, does the issue of excessive profit-taking not deserve to be discussed? Does one have to hold some special qualifications to question the business practices of an industry? Our broader cultural experience in the form of historical, religious, and ethical learning tells us that societies have long been occupied with these questions. Our nation's most important deliberative body seems to be an appropriate place to discuss them.[6]

What is old is new again. The reasons why we need usury laws do not disappear. The strong will always be tempted to exploit the weak, and the rule of law is the most powerful tool we have a democratic society to level the playing field. As we confront yet another financial crisis in which millions of ordinary working people lose the financial security they have worked over a lifetime to achieve, we might want to consider whether the 'freedom' of the free market is something that should be allowed to run amok unchecked without any reference to other values that nurture a stable, dignified common life for all members of society.

[6] Id., 24-33.

THE REAL THIRD WAY

For a New Metanarrative of Capital

John Milbank

This essay is based on a talk I gave in December 2009 to Christians engaged in community organising, arguing that Christian social teaching provides a 'real Third Way' between the domination of State and Market. The 'mediation' which I argue for as a distinctive feature of Christian social thought, is exemplified both by the practice of community organising and by the specific economic proposals being made by London Citizens.

A common view about Christianity and politics is that Christians divide up over politics in much the same way as other people. But this is only superficially true and only true of Christians who have thought about politics superficially and in disconnection from their faith. For if one examines the writings of Christian thinkers who have thought long, hard and theologically about politics, then the consistency of their emphases ever since the dawn of the industrial age is extremely striking.

This is most of all true of Catholic thinkers, but the conclusions of Anglican and Orthodox thinkers have been remarkably similar.

With some qualification one can extend this consensus to Calvinist thinkers also. Moreover, there are strong resonances with Christian conclusions amongst many Jewish, Islamic, Hindu and Buddhist social theorists. If one can speak of a Christian political consensus, it is even possible to speak of a certain religious political consensus.

What is this consensus? It has to do with thirdness, or with mediation.

This takes two forms: first of all, politically speaking, the modern doctrine of absolute sovereignty is rejected as linked both to secularity and to a perverse voluntarist theology.[1] Instead, a 'pluralist' distribution of sovereignty is recommended: a distribution which more respects both human fallibility and the mere penultimacy of political purposes. This gives rise to the theme of the importance of civil society and of 'intermediate associations' which the current patriarchs of Rome, Moscow and Canterbury would all endorse, along with so many of their predecessors stretching back over 200 years.

Such a favouring of 'group rights' renders Christians and other religious people suspicious at once of an idolatry of the State and of the absolute autonomy of the sovereign individual.[2] Hence a 'third way' is advocated between statisms of the far right or the far left on the one hand, and ultra-liberalism on the other. Yet this is no mere matter of compromise. To the contrary, religious thinkers tend to diagnose a hidden mutual complicity and reinforcement between the voluntarism of the absolute state and the voluntarism of the self-governing, negatively choosing individual. This gives rise to the thematic of the 'radical centre', a three dimensional exiting from the horizontal poles of left and right which belong to the secular consensus ever since the French Revolution, and a repolarisation along a vertical axis between the paradoxical 'rule of the middle' on the one hand which is the rule of human

1 See Jean Bethke Elshtain, *God, State and Self* (New York, Basic Books, 2008).
2 See John Milbank, 'On Complex Space' in *The Word Made Strange* (Oxford: Blackwell, 2002) 268-292.

relationships, and the left/right rule of the secretly collusive collective and individual wills on the other.

The second form that mediation takes in Christian social teaching has to do with political economy and it is this that I shall be more concentrating upon here.

As Michel Foucault argued, liberalism comes fully into being in the 18th C with the invention of the science of political economy which proposes the novel idea that governments can rule more by ruling less.[3] Instead of trying to 'police' every aspect of their subjects' lives they can leave much to the operation of the market whose workings are seen as 'natural'. In this way, through the supposedly natural balancing of supply and demand, wealth and population are more increased, while peace and order are spontaneously maintained. The interests of a controlled and strong population, ready to fight wars, are achieved by stealth. It is for this reason that Foucault argued that we must understand liberalism to be the 'biopolitical'. Apparently, and by its own lights, it 'releases' the economic sphere as natural, as 'biological'. In reality, however, it politically produces this sphere and tries through the educative and cultural processes of civil society to create subjects who are negatively choosing and self-governing, relatively disembedded from family, locality, tradition and artisanal formation. In fact, such subjects could well be seen as *less* 'natural' but this is disguised from view by Adam Smith's redefinition of humanity as *homo economicus,* disposed mainly to truck and to barter. Karl Polanyi long ago pointed out how absurd this anthropology is and how exploded by, precisely, anthropologists.[4] For most of human history human beings have been so radically and immediately dependent upon each other that the first thing they have looked for is social recognition as the pre-condition of both status and security. For this reason they have usually been content with economic arrangements of reciprocal balance (whether these be egalitarian or hierarchical). For any too-marked seeking of

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[3] Michel Foucault, *The Birth of Biopolitics,* trans. Graham Burchell (London: Palgrave Macmiallan, 2008).
[4] Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 2001); Maurice Glasman, *Unnecessary Suffering: Managing Market Utopia* (London: Verso, 1996).

personal advantage has always risked ostracisation. The realism of the past was different from the realism of the present which political economy has decisively shaped.

Once one has this biopolitics, then there arises, nonetheless, a certain dualistic tension between the bio and the political. The former factor is vastly accentuated in the course of the 19th C. As Polanyi also argued, when the economic sphere is sequestrated, it is bound to become *fundamental,* because it concerns our most most vital human needs and functions. The irony is that in all earlier human societies, including the most supposedly 'primitive', the biologically basic was *not* socially basic because reciprocity and redistribution tended to guarantee the biological survival of the individual which was thereby subordinated to the biological survival of the social group. Hence the lower was mediated by the supplement of something higher, the economic was not so much 'embedded' (to use Polanyi's phrase) as planted upwards in the heavenly soil of social gift-exchange, itself rooted in celestial sanctions of cosmic reciprocity and divine grace. Only *modern* political economy treats the biological as basic for human beings. And this was greatly accentuated in the 19th C through the view, entirely alien, it must be said, to Adam Smith, that only the threat of poverty and the spur of hunger will force people to work in a world of lazy sinfulness and constitutive material scarcity. In point of fact, just as the idea of the supposedly 'free market' is in reality politically produced, so, also, scarcity is nearly always something artificially engineered by monopolisation or global trade in order to increase profits. Indeed one should note here that ecological disaster results from a fantasising and *production* of scarcity and not at all from people imagining that the world's resources are infinite – as pseudo-pious, liberal politico-economic ecologism would have it. For the resources of nature *really are* infinite, if we have patience, as religious people should know. This applies also to the question of population – demanding its limit is always an anti-human, anti-vitalist move, on the side of political economic technocracy and biopolitical control. In opposing this the papacy has always been radical and not conservative.

If, however, the 19th century accentuated the supposedly 'natural' character of the economy, it also increased the supposedly 'artificial' and 'scientific' character of the political. The 'police' aspect of the pre-politico-economic mercantilist state did not after all go away, even if it was now exercised with more subtlety. From Adam Ferguson onwards, political economy concluded that the state must continue to create an environment within which the market can flourish by attention to education, the arts, sanitation, crime, poverty and demography.[5] If the market was concerned with a supposed release of free choice, undergirded by property rights, then the civil or political aspect of civil society had to do with material interests at the point where this is also an aspect of the economic. As Foucault points out, an economic contract is free, but it is assumed that people enter into it in order to secure their material interests or welfare. The freedom of the politically economic subject is indeed a spiritual freedom rooted in rights, but this is paradigmatically linked to the self-government of mere animality which takes into account only utility and sympathy for the material needs of others. Hence, as Foucault again puts it, 'interest' in the liberal model always overflows rights.

So where it might appear that liberalism is primarily about individual freedom, because of its biopolitical character it turns out that it is more fundamentally to do with material interest or with 'welfare'. Indeed the duality between the political and the biological means that, in the end, it is the freedom of the state which is primary for liberalism, once it has been deconstructed. For the liberty of the subject is only allowed as a device of governmentality in order to increase the power of the state. This liberty of the subject is really, as far as the state is concerned, only an aspect of the *animality* of the subject. The market promotes first of all his *welfare,* and therefore secondarily the welfare of the entire political body. With the economic doctrine of marginalism, beyond even Bentham's perception, the always latent assumption of political economy that the economic operator is a *utilitarian calculator* is explicitly recognised. Later still, with the neoclassical ideas of Kenneth Arrow and then Chicago school in the 20th C, this calculation is extended to the working of bureaucracies and finally

[5] Adam Ferguson, *An Essay on the History of Civil Society* (Cambridge: CUP, 2003).

even to things like sex and procreation – thereby economising the entire social field.[6]

At this point the overturning of all inherited human wisdom is complete. No longer is the economy embedded in society regarded as reciprocal gift-exchange; instead all of human life is supposedly natural or economic. But the economic concerns entirely material interest or welfare.

It is this primacy of welfare which allows us better to understand and to deconstruct the duality of market and state. In the first place, a still mercantilist concern with the welfare of the entire body of the nation-state causes the deliberate construction through primary accumulation – via enclosures, abolition of guilds and privileged corporations at home, and colonisation abroad – of the sphere of the natural market governed only by the price mechanism in the balance of supply and demand.[7] In the second place, during the 19th century, the still-lurking shadow of human freedom gives way more and more to the evolutionist fantasy of an animal humanity. But this means that, in the third place, it is market fundamentalism itself which returns us *full-circle* to the primacy of welfare and so to the primacy of the state as the creator of the capitalist market in the first place.

For if market choice is gradually acknowledged as utilitarian calculation, it remains the case that the market cannot fulfil the whole of utility or of welfare even from a dogmatically liberal point of view. Thus we have already seen, with Adam Ferguson, that the Scots philosophers supplemented the free market with state attention to liberal society. And as Polanyi notes, the arrival of an unlimited market in human labour, in land and in money in Britain in the 1830's coincided with an unprecedented extension of state power in terms of the collecting of statistics, of policing and of promotion of scientific education, civic sanitation and national transportation.

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[6] See Ernesto Screpanti and Stefano Zamagni, *An Outline of the History of Economic Thought* (Oxford: OUP, 2005), 380-455.
[7] Michael Perelman , *The Invention of Capitalism* (Durham NC: Duke UP 2000).

At a later stage, as Polanyi further pointed out, the emergence of state welfare structures in the second half of the 19th century was not primarily a reaction against *laissez-faire* but rather an aporetic extension of it. First, the tendency of capitalism towards monopoly requires either or both anti-monopoly legislation or else the quasi-institution of corporations in order to direct them towards the public good. This proves that the state cannot now unqualifiedly allow market processes to take their course, because what matters to it are either or both an *agon* generating wealth or organisation towards the deliberate generation of national wealth and strength. Secondly, an unrestricted market in labour implies that workers might logically persist in striking until the very interest of capital owners as appropriators is undermined. This capitalist aspect of trade unionism has then to be interrupted by a state socialism which balances anti-strike or industrial relations legislation with compensatory welfare measures which will resign workers to a proletarian status and inhibit their mutual organisation which naturally tends to revert towards the human norm of reciprocal benefit. For as Polanyi remarked, resistance to capitalism has always come either from semi-feudal classes or from those who are proletarianised (besides intellectuals who support mutuality). Almost *never* does it come from the middle classes. For their support for state welfare on generally utilitarian grounds is in reality an endorsement of the principles that underlie the free market which, as we have seen, are inseparable from the principles which undergird the modern secular state. As Anthony Giddens explicitly put it in his book *The Third Way*, the crucial aim of welfare is to produce the freely-choosing reflexive and risking individual removed from the relational constraints of nature, family and tradition.[8] It would seem that the welfare state is generated by capitalism and only subserves capitalism.

Yet that is an exaggeration. Polanyi is here more subtle. Crucial here is that one cannot, after all, simply say that the state invented the market. A capitalist market has always hovered in the background and was prophesied by Aristotle. Within traditional localities human beings exchange gifts, even if this is eventually regularised in terms of money and commodities. With very remote strangers with whom we share no common language again the only

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[8] Anthony Giddens, *The Third Way* (Cambridge: Polity, 1998).

language we share in common is that of gift – one strange thing exchanged for another strange thing: transistor radio for rare coral.[9] But in the middle, with *known strangers across the sea,* as for example in the antique mediterannean, humans tend to operate more in terms of contracts, loans and mercantile self-seeking. *All* maritime trade in the 'mid-sea' has always tended to be a kind of piracy, as Polanyi and Maurice Glasman have emphasised.[10] Hence city-states at the margins of nations have always tended to diagonalise out of those nations in a free-booting fashion.

However, Polanyi also argued (though I am slightly combining his different analyses in different places here) that the function of maritime states was strangely to keep separate reciprocal inland trade from reciprocal remote trade as well as from more zero-sum accumulative overseas trade. An example of this is London in the 17th century. As Robert Brenner has shown, the London East India company remained pro-monarchic and Cavalier because it engaged in a traditional remote reciprocalist trade.[11] But the unofficial and guild-excluded merchant class were Roundhead parliamentary supporters because they engaged in a more piratical mode of enterprise and furthermore joined this up with Calvinist agricultural capitalists who invested in this mode of enterprise. Thereby, as often in the past, material landed assets tended to be subverted in their stability through their link to a more abstract and as it were literally fluid form of maritime wealth linked to more speculative fortunes.

For the Marxist theoretical legacy colonisation and globalisation are later extensions of capitalism: a response to falling rates of profits leading to sagging demand: hence the need for further primary accumulation.[12] But Marx saw capitalism as inevitable and so offered an insufficient explanation as to how primary

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[9] Seneca, 'On Benefits' in *Moral Essays III* (Cambridge Mass: Harvard UP, 1989), III, xvii3 –xviii. I pp158-159.

[10] Karl Polanyi, *Primitive, Archaic and Modern Economies*, ed George Dalton (New York: Anchor Books, 1968) esp. 'Aristotle discovers the economy', 78-115; Maurice Glasman, 'Landed and Maritime Markets in Ancient Rome: the Polanyi Paradigm Reconsidered' (Unpublished paper).

[11] Robert Brenner, *Merchants and Revolution* (London: Verso, 2003).

[12] Hannah Arendt, *Imperialism* (San Diego: Harcourt Brace, 1976), 3-37.

accumulation permitting the absolute commodification of land, labour and money got going in the first place. Polanyi, Glasman and Brenner by contrast see how it has to do with an always present diabolically ‘middle’ sphere of relatively anarchic international relations escaping the reach of any *ius gentium.* However, Brenner and others realise that the full incursion of the sea into the land engendering capitalism only occurred in England because of the unique capitalisation of the land in terms of a free market in property and the establishment of the agricultural labourer as a dispossessed wage-labourer. Both of these things were consequent upon the disappearance of the English peasantry at the end of the Middle Ages and the dissolution of the monasteries which vastly increased the amount of land held by the gentry in purely absolute, economic terms, with no social or political duties attached. The gravitation of the English gentry towards Calvinism, which sharply separated human contract from the divine gift of grace, is in this respect unsurprising.[13]

However, another dimension of the emergence of capitalism concerns the break-up of Christendom. Once one has competing nation-states linked to different religious bodies, then material organisation for war and self-defence becomes a priority. One is on the road towards mercantilism. The complete invasion of the land by the sea in England produces also for the first time a comprehensive internal market organised upon contractual and competitive rather than reciprocalist lines. This internal *agon,* is seen, in line with an economic version of Machiavelli’s martial logic for republics, as increasing internal power both through a trial of strength and through a resulting greater size of national wealth.

Yet, at the same time, Polanyi argued that the state was at once active and passive, encouraging and resisting in relation to these processes. It is at this point that one has to recognise, after his nuanced analyses, that state welfare is ambivalent. Yes it is utilitarian, but it is also conservative and humanitarian in purpose. Both in England and in France, with the decline of guild organisation and local charity, the state tried to reproduce their functions at the national level with measures that survived up to the end of the 18th C. In England Elizabeth, the earlier Stuarts and most notably the Laudians tried to resist enclosures and the humanist

[13] See Marcel Hénaff, *Le Prix de la Verité* (Paris: Seuil, 2002), 351-380.

disciplining of the poor: the Commonwealth reversed these measures and Charles II and later kings continued this reversal – while the rebel Jacobite faction (as with Dr Johnson’s political thinking) intensified the radical dimension of earlier Stuart traditionalism.

In the end though, Polanyi argues, welfare merely disembeds individuals and reinforces capitalism. This happened most of all with the Tory socialism of the Speenhanland acts in the early 19th C. Here a living income was distributed to all regardless of labour. The result was both a tendency to laziness amongst workers and a lowering of wages which led eventually to further impoverishment by letting employers off the hook of their responsibilities for justice. So here Polanyi provides both conservative and radical arguments against welfare. Conservatively-speaking it is true that it undermines a society based on the market – even though he wants to oppose this foundation. Hence he argues with remarkable balance that though the rise of the welfare state in the late 19th C was inevitable *on market grounds themselves,* that economic liberals are still right to argue that it tended to undermine the market by reducing the money available for consumption and investment and reducing the incentives for employers to provide work etc. The most subversive aspect of *The Great Transformation* for conventional social democracy is the way in which Polanyi admits a general ‘Speenhamland effect’ with respect to welfare.

He is even, at his rigorous best, prepared to apply this also to some forms of non-State socialism: arguing that attempts to organise industry on socialist lines, following the legacy of the Quaker John Bellers in the late 17th C, with his Baconian ‘colleges of industry’, also tended to disturb market equilibrium of prices and wages because they did not question the operation of the capitalist market at the inter-business level. Moreover, all too often they were in effect making money out of poverty itself and still regarding dispossession as an economic resource of available labour. All this is true of Owenism, which furthermore espoused an essentially utilitarian attitude towards human well-being. So for all Robert Owen’s explicit exaltation of the primacy of the social, this in the end comes down to a necessarily collectivist support for individual material well-being. And in general, except where it has espoused a religiously-grounded view of fraternity and solidarity, *most* socialisms, even most associationist socialisms, are at bottom liberalisms because they give ontological status only to freedom and happiness not to teleological human flourishing. And as liberalism they remain inadequate genealogies and critiques of capitalism.

Hence we can see that if, in modernity, the economy has replaced society as the basis of human existence, that nonetheless attempts to achieve a balance, to re-assert society by the state or even by socialist association of certain types, tending to disturb the operation of the market and even to produce further impoverishment.

Then we get extreme solutions offered instead: the total marketisation of neo-liberalism or else total communist state control. The latter of course ignores the Hayekian problem of the impossibility of perfect knowledge at the centre, while the former runs into two *aporias*. First, one cannot really let economy undermine society entirely without resulting anarchy. Secondly a purely competitive market in the long run, as we have seen, destroys competition. Hence even though social democracy tends to destroy the market, the drift of market capitalism towards social democracy is endlessly recurrent and not an aberration. This is precisely where Polanyi outthinks Hayek.

At this point, we can say that most people are agreed in wanting some sort of 'third way'. No one (save scoundrels) likes unlimited market greed and anarchy. No-one (save psychopaths) likes the prospect of total state control, mismanagement and surveillance. Thus secular solutions search either for a social democratic balance of state and market, or for an ordo-liberal finding of a pure and so eternally limited market or again for a new-labour fusion of state and market.

Christian economic thought would appear simply to go along with this modern secular desire. It too has tended to search for a 'third way' – not just, in the first place politically, between state and individual in terms of group rights, but also, in the second place, politico-economically, between the dominance of state and the dominance of market in terms of the role of civil society, mutual and non-profit organisations and the role of religious bodies themselves in the sphere of welfare.

Yet does that simply mean that Christians agree as to principles but differ as to means? Hence some will be social democrats, others will be Christian democratic supporters of the ordo-liberal ‘social market’ while others again will unrepentant new-labourites?

I do not think so. The Christian economic difference is not simply a matter of principles, though neither is it a matter of magical technical devices which will supposedly restore social reciprocity – like Major Douglas’s social credit or Henry George’s land tax beloved of old. It is rather a matter of different virtuous *practices,* different habits, something that hovers half-way between principle and structure but tends to generate all sorts of new reciprocalist structures in different circumstances.

However, this different habit *really can* solve our politico-economic conundrums, whereas the secular solutions cannot.

How can one make this claim? Well, as we have seen, the secular solutions are unable to unlock the *aporias* which result when one tries to found the society on the economy. The economy cannot be allowed to destroy society and yet any re-assertion of society tends to destroy the economy. Hence the abandonment of reciprocity is inherently *unstable.* But as the Pope argues in his new encyclical *Caritas in Veritate,* the point is *not* to modify an inherently immoral or amoral market through welfare measures, but rather to produce not merely a just but also a charitable market in the first place.[14]

This is then to re-invoke gift as both free gratuity and reciprocity. But it is also – in a way that might well have shocked Ratzinger’s still somewhat neo-scholastic predecessors and will also shock the conservative Rahnerian neoscholasticism of the liberation theologians – to invoke the supernatural virtue charity within the supposedly secular sphere of the economy. Indeed it is to say that for Christians the material economy in the end belongs within the

[14] Benedict XVI (Joseph Ratzinger), *Caritas in Veritate* (Dublin: Veritas, 2009).

space of the theological *economia* of salvation. So instead of the economy being something produced by the state as pseudo-natural, one now has the idea that the entire 'economy' of human give-and take exceeds the political and belongs in the *ecclesial* sphere because how we give and how we take effects our *supernatural* destiny. The material sphere does not lie beneath the wilfulenss of law and politics. Rather it transfiguratvely exceeds them, just as our bodies are also involved in deification.

Ratzinger, therefore, suggests that we must bring the economic back within the bounds of social reciprocity. Is this merely reactionary and nostalgic?

No, because he proposes a relatively more egalitarian mode of reciprocity – even if, as he knows, the hierarchy of educative guidance by virtue can never be expunged if democracy is to release people's best rather than their worst instincts.

No again, because the forces tending to promote the mercantile were already emergent within the Middle Ages and were promoted by some canonists. Indeed the modern voluntarist oscillation between the collectivist and the individualist is anticipated by some Franciscan theologians who promoted both a comfortable and somewhat hypocritical communism for themselves as university teachers but the beginnings of a non-reciprocal contractualism, forgetting the common good for society as a whole.[15] Aquinas's

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[15] See Michel Villey, *La Formation de la pensée juridique moderne* (Paris: PUF, 2003), 202-219. Despite my overall endorsement of their brilliant ideas about contract and sympathy, I somewhat dissent from Bruni and Zamagni's tracing of a reciprocalist approach to the economy back to the Franciscans. To my mind such a stress is far more characteristic of Aquinas and the Dominican tradition. This is because, in general, the Franciscans saw love in unilateral disinterested terms which separated *agape* more from *eros,* whereas Aquinas saw love as always a reciprocal sharing between human beings as well as being a 'participation' in the divine love. Here 'interested' *eros* and 'disinterested' *agape* are always fused, because this contrast is transcended in terms of mutual linkage: this is why Aquinas stresses that we must always love the 'closest' most of all, reading 'neighbour love' in a way that stresses our finitude. The Franciscan legacy, by stressing to the contrary disinterestedness, tends to render mutual bonding merely a

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contract guaranteeing of a mutual fulfilment of fundamentally separate interests. In this way ontological bonds are sundered in the economic sphere and the way is opened to an all too modern contrast between pure contract on the one hand and sheer 'altruism' on the other. Even the *Monti di Pieta* arguably too much tried to solve urban poverty by extracting a surplus value from it, insofar as these institutions were in effect 'charitable' pawnbrokers. Hence Bruni and Zamagni underrate the degree to which the Franciscans really did pre-invent a (theologically dubious) capitalist notion of contract, as argued by Oreste Bazzichi (whom they nonetheless cite) and perhaps they overrate the continuity of the more reciprocalist currents in humanist economics with the Franciscan legacy. It follows that on my reading their own ideas are really far more 'Dominican' than they allow, since they are so reciprocalist and also that they perhaps fail to realise the degree to which the mutualism of *agape* is also 'erotic'. (Bruni tends to line up the latter with 'separate' fulfilment of needs, but such a gloomy post-Cartesian view of *eros* is not that of either Augustine or Aquinas.) In addition their 'distributism' as regards property also connects more to Aquinas, since the Franciscans tended to exalt a sheer 'communist' non-ownership for themselves, which dialectically cast an aspersion on ownership as pure 'domination' – whereas for Aquinas *dominium* could be good if linked to good usage and orientated to common usage. However this disagreement is in a real sense trivial, because so purely historical in character. Perhaps, though, it makes a real difference when it comes to the question of *usury*, where I would tend to defend Aquinas' greater caution in the face of this practice compared to the position of Duns Scotus *et al.* The Franciscan endorsement with Scotus and Peter John Olivi against the Aristotelian tradition of *lucrum cessans,* or compensation for profit foregone in terms of money lent, amounts to treating money unnaturally, not as a medium of exchange but as a kind of pseudo-thing that has 'fertility' in its own right. Thus Olivi declared that 'that which in the firm intention of its owner is ordained to some probable gain does not only possess the character of money or a thing straightforward, but beyond this a certain seminal reason of profitability which we usually call "capital"' (*De Usuris,* Dubium 6). One theoretical building-block of 'capitalism' is indeed in place here. This shift was compounded by the assertion of another 14th C Franciscan, Gerald Odonis, that the lender retains the abstract property ownership of the sum of money which he lends, rendering usurious interest after all a legitimate 'rent'. (*Tract.* q. 13; f.91 v) This further contradicts Aristotle and Aquinas by abandoning the distinction between use of things that are not used by usage, like land and things are so used up, like food and money. The crucial shift here is in terms of a disregard for qualitative difference of content between different kinds of things and the beginning 'distributism', linking property entitlement to good use, his limitation of the practice of money-lending to real proper interests foregone and to the benefits of investment, his promotion of the just price beyond the mere canonical market current price in terms of both the measure of labour and the comparative measure of right desire were all already *resistances* to a pure market society. (ST II.II qq. 77-78, De Malo, q.13 a.4).[16] Hence to appeal back to

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of the definition of an economic *res* merely voluntaristically and nominalistically in terms of subjective regard and subjective control. (On the defence of Aquinas's position on usury, see further note 16 below.) See Luigino Bruni and Stefano Zamagni, *Civil Economy* (Oxford: Peter Lang, 2007), 33-42 and Luigino Bruni, 'Common Good and Economics: Toward an agapic economy' trans. N.Michael Brennan on the web at http://dipeco.economia.unimib.it/perone/bruni/brunihp/ ; Oreste Bazzinchi, *Alle Radice del Capitalismo:medioevo e scienza economica* (Turin: Effatà, 2003); Pierre Rousselot, *The Problem of Love in the Middle Ages* trans. Alan Vincelette (Milwaukee: Marquette UP 2006); Joan O'Donovan, 'The Theological Economics of Medieval Usury Theory' in *Studies in Christian Ethics,* 2001, 14:18, pp. 48-64; Hilaire Belloc, *An Esssay on the Restoration of Property* (Norfolk VA: IHS, 2002).

[16] See Alfred de Tarde, *L'idée de juste prix* (Paris: F.Alcan, 1907). As regards the just price, Aquinas 1. assumes (despite so many modern American denials of this reading) that things have a natural value in terms of their place in the scale of values of the usefulness of things for realising true human ends and that economic value should have some relationship to this. Christopher A. Franks gets this exactly right. See his *He Became Poor: the Poverty of Christ and Aquinas's Economic teachings* (Grand Rapids: Eerdmans, 2009), 93: 'Thomas certainly relies on a common estimate [in the market] that is variable and based on appraisals of human usefulness. But the usefulness Thomas envisions is not whatever usefulness buyers and sellers can agree to, but the true usefulness of things as such things are intended by God for the sake of human flourishing'. In other words his 'market value' is also a 'moral value'. 2. In addition the just price takes desire into account in terms of the value of a thing to the seller and the general 'going market rate'. (Statements by him to the effect that there is 'no usury' involved when this rate is charged do not at all prove that this is all he means by the justice of price: for, as Franks indicates, the market is itself 'embedded' in social norms that establish the relative values in relation to human usage such that, for example, the really important in the sense of 'fundamental' like food, shelter and raiment should be readily affordable while the important in the sense of rare and exemplary, like an

exceptional artefact, should properly be expensive.) 3. It is wrong to sell a thing for more than one has paid for it. This does not apply though to added value in terms of making, transport or convenience of making goods available – as with shopkeeping. 4. All third-part mercantile trading tends to be morally tainted but is redeemable if directed towards the general human good and charity. Profits must go to public benefit apart from reasonable rewards to the merchant himself. The main points of Aquinas's teaching on usury are as follows: 1. Money is a usufruct entirely 'used up' in exchange and therefore one cannot charge rent on it. 2. *Damnum Emergens* permitted, i.e. compensation if a loan is not paid up in time – for then the lender has suffered a material inconvenience which he would not otherwise have undergone. This contrasts with *lucrum cessans* (see not 15 above) where he is compensated for a possible profit through investment that he might have made out of the money lent. The problem that Aquinas rightly sees with this is that it treats money as an abstract thing in itself and assumes that sheer profit-making (taken alone) is a valid activity outside the context of entering into a commercial association for the attainment of some specific economic and social good that in the end serves the common good. By contrast *lucrum cessans* implicitly endorses mere private abstract gain and so breaks the circle of reciprocity in a way that Bruni and Zamagni fail to recognise – for all that the entire tenor of their thought runs in the direction of linking all lending back to investment and all profit to mutuality and conjunction of economic with social benefit. 3. Aquinas defends investment in business and distinguishes this from usury. The key here is that when you loan money you 'transfer ownership' (contrast Olivi – see note 15 above). But when you invest you enter into a *societas* with business partners, such that the money invested remains yours, because it is connected to s shared purpose and thereby remains according to its nature a *means.* Hence on anything this money allows to be traded or made or sold you are entitled to reward, for risk entered into, because you have actually used your money to buy something – a real product, a genuine good – whereas, in the case of loaning money you have not bought anything and so money remains in the limbo of its unrealised exchange function. 4. A grateful borrower may add a gift to the loan repaid without interest, in an acknowledgement of the possibility of gain foregone by the lender which does not treat money as an abstract potential for sheer abstract and isolated personal gain, as implied by *lucrum cessans.* Later in Catholic countries the gift associated with return of a loan became semi-formalised. 5. All the same, a lender *can* agree to receive a compensatory interest from the borrower if (a) he has thereby undergone 'a real loss' i.e. if by lending he lacks for a time what he *should* have. This shows that Aquinas thinks in terms of what is owing to whatever social status in these things is not to appeal to a previous social order – which in fact never existed. Likewise, to appeal to guild organisation or medieval corporatist blending of the social, economic and the political is not to appeal to a bygone feudal order – which incidentally, historians tell us never existed in the contractualist terms later fantasised since it was rather a kind of hierarchised gift exchange part-created by the Church in order to reign back knightly violence through a cult of knightly honour.[17] It is rather to appeal to past creative ecclesial efforts to *resist and qualify* market tendencies which were already emergent. In this light the considerable commercial success of the guild and corporate organisation, and the medieval/renaissance civic humanist market spoken of by the Pope's key advisors, the economists Luigino Bruni and Stefano Zamagni, which assumed reciprocal balance as governing *both* contract and gift – such that the market here *required according to its own norms* the material restoration of those who had sunk beneath the level of normal economic and social participation – remains an example to us precisely because of its *modernity*.[18]

If one refuses to surrender to whiggish inevitablism, then one cannot declare that a new re-plantation of the economy upwards in social transcendence is impossible. Perhaps the biggest problem here, as Ratzinger so astutely acknowledges, is the technological. In agreement again with Polanyi, one can say that there is a certain affinity between the market and the machine. There is something Faustian, diabolical about the released forces of electricity, the light-wave and the sound-wave etc whose possibilities seem to re-organise us rather than being subordinate to our social needs and aesthetic preferences. This was already noted by Romano Guardini

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terms of natural justice. (b) If the borrower by borrowing avoids a loss greater than that undergone by the lender then here, too, interest should be paid. This appears to be seen by Aquinas as an extension of the situation of investment in enterprise: the implication seems to be that here the borrower has undergone such a big positive reversal of fortune through investment that the lender should in effect be retrospectively regarded as a co-investor.

[17] I am indebted to the ideas of my son Sebastian Milbank here. See also Susan Reynolds, *Fiefs and Vassals* (Oxford, OUP 1998).

[18] Bruni and Zamagni, *Civil Economy*, 45-75.

in his *Letters from Lake Como* where he rightly says that up to modern times there is something 'organic' about human cultural construction even though this was always adding artifice and sign to nature.[19] But like the Pope, Guardini was not engaging in mere nostalgia here. He refuses to *give up* on the idea that we can find a more organic, sustainable, human and beautiful way to deploy the huge powers of technology. But presumably the prime key here would be to unlock technology from the power of the economic regarded as foundational. Then we would start to see that most of the apparently 'inevitable' uses of technology are *not* dictated by technology itself but by market interests.

But Ratzinger's hope is realistic finally *because* it is a religious and not a secular hope. To allude to Polanyi once again: if the sea was first capitalised, then this was because it was relatively unknown, and so unsacred, or if sacred, then demonic, as for the Hebrew Scriptures. The enclosure of land and the commodification of people are all to do with *desacralisation.* One buys, sells and exploits without reference to tradition, association, duty or end because things and people are now secular and neutral and so the objects of exploitation. But although Polanyi is basically right here one does need to cut and paste him with Marx.[20]

Polanyi's genealogy of capitalism is more searching than the latter's insofar as Marx treats capitalism as ideological because it is the *survival* of religion, the scene of fetishisation. In this way, though, he is himself the victim of a politically economic perspective and does not understand the contingent generation of this perspective itself. For, as Bruno Latour argues, humans *cannot* escape from fetishisms because we always give material content to signs and we always see material things as signifying.[21] The politically economic idea of a dualistic sundering between merely 'given' material things and equally 'given' reasons or artificial constructions which we are supposed to be utterly in command of

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[19] Romano Guardini, *Letters from Lake Como: Explorations in Technology and the Human Race* (Grand Rapids Mich:Eerdmans, 1998).
[20] Karl Marx, *Capital*, *Volume One*, trans. S. Moore and E. Aveling (London: Lawrence and Wishart, 1983), Part I, Chapter One, 43-88.
[21] Bruno Latour, *Pandora's Hope: Essays on the Reality of Science Studies* (Cambridge Mass: Harvard UP, 1999), 266-292.

is a fiction – as they half saw by recognising the heterogenesis of ends. All material things come marked and valued by us, while all our ideas are specifically embodied in ways that render their import unpredictable. Hence we are always commanded by fetishes – or ‘factishes’ to deploy Latour’s neologism – which remain in some sense ‘divine’.

So Marx was here naive in imagining a merely ‘given’ use-value on the one hand and a truly demystified rational control of things on the other. In reality we never step outside religion and anti-religious structures are basely perverted cults. Secularism itself is such a cult – doomed, as Marx saw, to worship the most abstract fetish of all: money, which tends to run speculatively out of control and equally to worship purely physical power which we have now unleashed in such a fashion that we fear its ultimately destructive powers for the whole planet. Sign as pure sign disconnected from matter threatens us as free-floating finance; matter as pure matter disconnected from sacred signification threatens us as pure force. At this point as at others Marx is, like most socialists we have seen, only another liberal after all.

On the other hand, Polanyi’s apparent view that it is all right to commodify things in general but not land or person lags behind Marx’s denunciation of the fetishism of the commodity as such. For to some degree persons and land *must* enter into exchange and so within exchange-value in order that human society be constituted at all. The point is that these exchanges should respect true ends and true desires. Yet the same is true for every exchanged commodity. And since persons only exist in their use of many things and since land is useless apart from the things that it contains, we cannot abuse most things as commodities without also abusing both land and persons.

All this is to say that Polanyi fails to see that the sacredness of land and persons requires that they be seen in a certain sense as fetishes. He too much sees them in secular terms as after all merely ‘given’. As to his third insistence that money itself should not be commodified, this again interestingly contrasts with Marx. Polanyi says that money as a pure means should not in itself be *used* to make a profit like a usufruct: here he agrees with the medieval critique of usury. He here sees corruption as the reduction of exchange to use, where Marx in general sees corruption as the reduction of use to exchange – such that ideally the exchange fucntion of money should disappear in favour of the individual and general technological satissfaction of supposedly given needs. Polanyi is more fundamentally right, and yet both are in a way right: we cannot abolish the exchange function of money, but this also means that we cannot avoid entirely its commodification precisely insofar as it acts as an indispensable measure of the real worth of things which can only be *comparative.*

This is exactly why the issues of just price and of usury are *not* for Aquinas fixed norms but matters of prudential judgement, as D. Stephen Long has rightly stressed.[22] In Aquinas after Aristotle money concerns the *contrapassum* of distributive geometric justice which compares like with unlike (via the measure of our rightly ordered desire) even though it apparently belongs to commutative justice which restitutes according to a fixed arithmetic scale, given pre-established distributive value. (ST II II Q's 77 and 78. Though one can recall from Dante's *Inferno* that *divine* retributive justice is contrapassive.)

Hence monetary exchange or *chremastike* for Aristotle (*oikonomia* meaning for him 'household management' on any scale from literally domestic to civic) is precisely the process of *re-distributive justice* which hovers between political distribution on the one hand and criminal or civil restitution on the other.[23] In this way, as Catholic social teaching sees, the economic is 'the middle' between politics and the social because it is that space where we *must continue to perform justice and to revise justice under the impulse of charity which looks for everyone's well-being.* The state should not be the prime redistributor because the economy should itself be precisely that. This is why the Pope, after Bruni and Zamagni's re-invocation of the medieval/renaissance civic humanist economy, calls for a new market that would somehow offer a level playing-field between enterprises seeking reasonable profits, merely mutual

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[22] D. Stephen Long, 'Usury: Avarice as a Capital Vice' in D. Stephen Long, Nancy Ruth Fox, Tripp York, *Calculated Futures: Theology, Ethics and Economics* (Waco, TX: Baylor UP, 133-157.

[23] Aristotle, *Ethics,* trans. J.A.K. Thomson (Harmondsworth, Middlesex: Penguin, 1978), 1130b32- 1134a6, pp 176-186

trading and entirely charitable but still reciprocalist enterprises. This is an astonishingly radical demand.

To gain greater clarity about this demand for a just and charitable market it is worth setting out (a) a brief typology, (b) a resumé of our current predicament and (c) a sketch of concrete proposals.

(a) The typology distinguishes between modernist (as opposed to modern), postmodern and religious variants of the third way.

(i) We have already characterised the modern. In knowledge it involves a duality of given fact and equally given reason or artificial proposal. In political economy it involves the fantasising of a natural economy supplemented by artificial political contract and promotion of utility.

Modernism (in philosophy as in the arts) tried to mediate this gulf through a nonetheless modern and subjective given immediacy of reasoned identity. Husserl argued that we have absolute intentional access to the essences of things. In his *Krisis* he tried to root the scientific endeavour back in a real experienced intention and to show that it was but one of many authentically intentional relations to reality.[24] Directly under Husserlian influence, the German architects of the post-war social market, the ordo-liberals, similarly tried to heal the breach between nature and reason through a better use of reason that would half-restore the organic past. Just as Husserl tried to authenticate and yet limit science, so Wilhelm Röpke tried to authenticate and yet to limit economics in his Husserl-echoing *Social Crisis of Our Times* written during the war almost at the same time as Polanyi's *The Great Transformation* and asking the same question about why the long 19th C peace had led to 20th C unprecedented mass war and answering it like Polanyi by blaming 19th C political economy.[25] Like Polanyi also he wants to re-embed the market in society, but unlike Polanyi he thinks,

[24] Edmund Husserl, *The Crisis of the European Sciences and Transcendental Phenomenology*, trans. David Carr (Evanston Ill: Northwestern UP, 1970).
[25] Wilhelm Roepke, *The Social Crisis of our Times* (New Brunswick: Transaction, 2009). See aso Alexander Rüstow, *Die Religion der Marktwirtschaft* (Münster: LIT, 2004).

following Husserlian phenomenological methods, that the market has a pure isolated essence. Hence while the state should prevent monopolies, promote craft guilds and so forth, the price mechanism of the market merely left to itself will tend to generate local reciprocal exchanges which are not capitalist in character. A natural market will be a confined market – one can see why one should not confuse this in any way with Hayek's neoliberalism. But Röpke only thinks this for two reasons. First, theoretical, he sees the market as second best to pure self-sufficiency as if reciprocal exchange were historically secondary, which it is not. He is here all too Rousseauian. Second, historical, he argues with total implausibility that the main reason for monopoly is lingering feudal inequality rather than it being something which the market itself tends towards. Because he espouses a pure market, for all his admitted kinship with Catholic thought and with English Catholic distributism, he rejects ideas of the just price, the just wage and any corporatist political role for the guilds.[26]

(ii) That is the modernist third way imagined through a fantasised immediacy of essence. What is the postmodern third-way? First of all, what is the post-modern attitude to knowledge? It is one of admitted mediation, but of sceptical mediation. Against Husserl Derrida said that there is no immediate grasp of essences because of the intervention of *semioisis* which is indeterminate. Historically speaking, the algebraicising forgetting of original intention in science – whereby we come to manipulate formulae without undertstanding how they were first produced, is inevitable and always already begun.[27] Here, however, Derrida is far more Cartesian than Husserl, since he exalts a sceptical *mathesis* that itself forgets the mediation of subjective material constitution of signifying practices which Husserl was rightly anxious to disinter. Real mediation would need to split the difference. Our knowledge is always intentional, but as it is always signifying we never quite know what we intend and must always render a judgment.

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[26] In these respects the criticisms of ordoliberalism made by the Jesuit Oswald von Nell-Breuning are pertinent. See Oswald von Nell-Breuning, *Kapitalismus – kritisch betrachtet* (Basel: Herder, 1974).

[27] Jacques Derrida, *Edmund Husserl's* Origin of Geometry *An Introduction*, trans. John P. Leavey Jr. (Lincoln Nebraska: University of Nebraska Press, 1989).

In political economic terms it was New Labour which first enacted the postmodern *mathesis,* the sceptical mediation. Under this continued *regimen* no longer are the political and the economic discrete but they totally invade each other while yet only accentuating and not abolishing their separation. All businesses are to grow bigger and be more impersonally managed; government is to encourage an internal market in the public sphere and yet all the more to police these with targets and inspections.

Is this really for the sake of modern order? No, from the outset with Giddens' manifesto *The Third Way* it was for the sake of increasing postmodern risk. Risk most of all encapsulates sceptical fusion: for risk is seen as positive – we must release the nihilistically dangerous, uncertain and unknown, make everyone more aware of unlimited choice and their sophistic right to choose the uniquely ungroundedly 'different'. The market depends upon risk, not of course because of its moral responsibility (that rather accrues to the collective sharing of risks within firms) but from its 18th C outset because risk led to reward, deserved or not. On the other hand the more risk increases then the more *unacceptable* risk is also engendered. Hence the ever-increased need for both governmental surveillance and business self-surveillance. The new market state encourages us to be as dangerous to each other as possible but then it also considers that almost everything we do might be dangerous to each other and so must be stopped. Belloc's 'servile state' has here already been reached.[28]

(iii) The third possibility of a third way, is a religious and especially a Catholic Christian one. In terms of knowledge this means a faithful, participatory mediation. As Edith Stein asserted against Husserl, only God enjoys completely immediate knowledge of anything.[29] It must be through faith that we remotely participate in any true knowledge that we have. Hence our knowledge is thrice mediated by divine illumination, through the forms of things that arrive in our mind and inform our understanding (thereby allowing a relatively sure phenomenological intuition of essence, without

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[28] Hilaire Belloc, *The Servile State* (New York: Cosimo, 2007).

[29] Edith Stein, *Knowledge and Faith,* trans. Walter Redmond (Washington DC: ICS, 2000).

either *epoche* or perfect reduction) and through our knowledge of one thing always in terms of another and so through signs *ad infinitum.*

What then, is the Catholic third way in terms of political economy? I have already adverted to Guardini's search for an organic use of technology and that must be our clue. Humans as natural use signs, yet remain entirely animals in doing that. We must return to Aristotle and Aquinas: we are rational and political animals. *Not,* as for biopolitics, a bit animal with reason and politics tacked on, but entirely *as* animals rational and political and yet in our reason and politicality *wholly still animal.* Animals inconceivable to Darwinism who possess the telos of reason, politics and the paradoxical end of the reception of supernatural grace which causes us always to exceed the political and justice in the direction of the ecclesial meta-space of charity.

So human beings always add the mediation of sign, community and reciprocal exchange of gifts to nature. But they do not thereby leave nature behind, nor is this grounded in a nature 'before' our humanity, as for political economy. Nor also, are these additions merely random and subject to no judgement, as postmodern atheism must conclude. No, for human society to be possible we must trust in a paradoxically fundamental middle of habit, ungrounded in either nature or reason, which nonetheless we must believe conducts us towards our true telos. This means that in order to restore the primacy of society over the economy we must have faith in God and in our participation in God and must be able to 'read' certain habitual practices as truly tending in this direction.

(b) How does such a reading relate to the recent financial crisis? Clearly the latter does not foreshadow the end of capitalism. However, it both reminds us of something and reveals something new. It reminds us that Capitalism is subject to a peculiar sort of economic crisis: a crisis of speculation, not of natural disaster or human ineptitude. But it also reveals that globalisation has so expanded and speeded up the processes of capitalist change as to engender something qualitatively different. Unrestricted movements of international finance now severely curtail government freedom of action in a way that puts political democracy itself into crisis. The way in which excess capital from one part of the world can be so quickly transferred to another has in part generated the recent severe economic destabilisation. In response, governments have had to bail out the banks by taking over their debts in a manner which locks politics itself yet more into a sheerly economic logic which has less and less regard for the specifically political ends of human well-being and interpersonal communication.

But this supposedly pure economic logic is not the logic of economics as such; only of one particular economic system which acts out certain theoretical assumptions as already described, which can be summarised thus. First, there is the accepted dominance of material reality by abstraction: even the bankers themselves scarcely know what is going on, because they are speculating in terms of ciphers about ciphers and of guesses about other people's guesses concerning the future. By these means they are increasingly entangling us all in the shifting rules of their own game. Secondly, there is the assumption that the well-being of the firm takes second place to that of the individuals who run it, as best illustrated by the 'bonus culture'. The third assumption is the most fundamental. This is that human beings are at bottom self-seeking animals and that a free market depends upon recognising this reality.

These three assumptions demand the interrogation which I have already tried to undertake. The dominance of abstraction is rooted in tearing material things apart into a sign-aspect on the one hand and an object-aspect on the other. This is unnatural, because the house I live in, for example, affords me at once material shelter and emotional significance. We naturally see everything in this integrated way. Yet our inherited capitalism depends for its very operation upon the sundering of thing from sign. Thus material things without meaning can be treated always as objects to be manipulated. When the land itself is treated like this, the surface of the earth threatens to become as naturally desolate as it is culturally desecrated. Equally, when human beings are reduced to bodies without souls, they can be regarded as simply sources of labour supply. Even money itself is treated over–abstractly. Instead of being regarded as an instrument of exchange that measures economic comparative value in accord with moral value, it is seen as something one should try to accumulate in its own right, and as something that can be validly bought and sold and used to constrain people's natural freedom of choice.

In this way, genuine meaning floats off into the ether of sheer quantification, while material reality is cruelly wrenched away from all affective attachments.

However, the world goes round and round: if globalisation encourages this nomadic abstraction, it also increases the way in which abstraction must in the end to relate back to the real material economy. For if you live on one globe, there is eventually nowhere to hide and even Dubai affords no refuge. This is because the total sundering of sign from thing does not make sense even in market terms. Since we are embodied creatures, disembodied capital must in the end be securitised against material resources, else we have no way finally to guarantee its value, without which it loses its purpose.

If our current economic system divides sign from thing, it also, in the second place, tries to divide the individual from the group. But there are limits to this. After all, even bankers do not operate as lone rangers, but within firms. Why also firms and not just markets? Neoclassical economics was simply about markets: it was about market equilibrium and the idea that markets automatically record exact information. But today a more postmodern economics recognises that no system is in the long run stable; that rational individual acting can sometimes produce irrational general results, and that the feedback of market information often arrives too late for the benefit of the individual speculator. This is where the role of the firm comes into play. People have to get together and cooperate under both horizontal and hierarchical consensual norms, precisely because within a firm they can create for themselves a niche market that becomes relatively predictable and that supplies reasonably reliable information in sufficient time. *Most* economic activity operates in this institutional space and *not* through patterns of exchangist negotiation. As Bruni and Zamagni put it, we work far more than we shop.[30]

Yet despite recognising the necessity of collaboration, economics for a while tried perversely to understand even the firm in individualistic terms. This gave rise to 'public choice theory', which has influenced New Labour and has been applied to governmental as well as private organisations. For this theory, employees and civil servants remain utility-maximising creatures whose main aim is to cream-off benefits of prestige and wealth for themselves. In consequence, firms cannot trust their employees, giving rise to our current culture of targets, incentives, bonuses and endlessly employing new employees to check up on other employees.

The crucial irony here is that this sort of individualistic bias is actually inimical to a genuinely free market. For this culture of pervasive mistrust inevitably inhibits those qualities of initiative, risk and creativity on which competitive enterprise depends. Here, as Bruni and Zamagni have suggested, we need to learn from those traditions of Italian political economy stretching back to 18th C Naples which have always stressed that social sympathy and reciprocity belong to economic contract itself, and not simply to the

[30] Bruni and Zamagni, *Civil Economy*, 159-252; Screpenti and Zamagni, *An Outline*, 456-519.

'compensatory' roles of civil society and governmental welfare as for the Scottish perspective, which was less authentically humanist.[31] Indeed, the more contracts between people are based on trust, the more they are relatively informal, and the more they embody a kind of gift-exchange, then the *less* you need the intervention of state control. The individualistic model of the market economy has paradoxically increased the power of the state, whose laws are required both to secure formal contract and to enforce marketisation within the public sector, while also policing the resultant anarchy.

So a more moral market would also be a *more* genuinely free market: morality need not be just an external corrective to the economic sphere. Another aspect of this would be the genuine sharing of risk, which would remove the relative protection against risk currently enjoyed by the investor and money-lender as compared with both employees and consumers.

If the economics of egoism don't work for the firm, then it turns out that they don't work at any level whatsoever. Here, as we have seen, anthropology refutes the third false assumption which derives from Adam Smith. We are *not* primarily a 'trucking' animal seeking a good deal, but a gift-exchanging animal. For what human beings most desire is not material wealth, but rather social recognition. But this is always a mutual affair, and so we are rarely neither purely interested or purely disinterested. Society is a spiral paradox of 'non-compulsory compulsion', in which the giving of gifts (and every act and speech-act is a gift) half-expects but cannot compel a return gift. This is the very glue of all human society. It is at once a political and an economic glue, so that when we try to base our economy on desacralisation and

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[31] *Civil Economy,* 45-75.

individualism, society is gradually abolished and humanity starts to contradict itself.[32]

If social recognition is fundamental also for the economy, then trust is basic for the economic firm. One could say that it should constitute a sort of benign semi-monopoly which prevents the emergence of malign monopoly. How so? Well on the basis of naked individualism, people strive for monopoly in order to produce the shoddiest possible products, buy the materials for those products as cheaply as possible and sell them as dearly as possible. In this way they undermine competitors and bad practice drives out good. But in the case of the firm that is a 'civil enterprise' or partnership between owners, managers, workers and consumers, good practice can drive out bad in a tendency that is actually more stable, as one can see for much of the history of a firm like John Lewis. Such firms will tend to thrive in the long term, not by driving out *all* other competitors, but rather by forcing other firms to compete in terms of quality of produce, fairness of pricing and humane treatment of workers and customers. A crucial aspect to 'quality of produce' is the fact that *real* goods are less subject to the law of diminishing returns. Habit dulls us to the appeal of the latest mutation of the chocolate bar from slender to chunky ... but habituation only discovers ever *more* in the enjoyment of fine wines and still more in the practice of fine cuisine and in all aesthetic and reciprocally enjoyed 'social goods' in general.

It is perhaps at this point that ethical considerations about economics most pass over into metaphysical or religious ones. For much of human existence, it can seem as if bad habits are more powerful than good ones. But in the end, we

[32] See Jacques Godbout and Alan Caillé, *The World of the Gift* trans. Donald Winkler (Montreal: McGill-Queen's UP, 1998) and Jacques Godbout, *Ce Qui Circule Entre Nous: Donner, Recevoir, Rendre* (Paris: Seuil, 2007).

discover that the reverse is true, and that otherwise we could not survive as social and linguistic animals.

(c) Where might one locate such self-sustaining and intensifying good habits? One thing we ignore is that many elements of Catholic social teaching – anti usury, just price, just wage, guilds, corporations, distribution of assets, the primacy of land as sacred, solidarity and subsidiarity – exist in certain degrees in many parts of the world where they have been tried and successfully tested. So they are not mere medieval survivals or nostalgic throwbacks. Let us consider briefly certain of these elements and how they might be extended:

1. Anti-usury legislation. We need to tie as much lending of money as possible to real investment and to make banks stakeholders and therefore risk-carriers in the enterprises which they fund. At every level we need to reconnect financial sign with material power in order to prevent the speculative and ecological threats of their disconnection.

2. Just prices and just wages. At the limits we cannot trust the market to deliver these and we need to make this matter something that comes within the purview of courts of law. At the same time, the achieving of these things is more usually a matter of instilling a new sort of ethos in economic transactions, founded upon a new sense that a firm cannot legitimately, as the Pope says, be pursuing profit alone but must be pursuing some sort of publicly recognised social purpose.

3. Free Guilds. We need a general restoration of professional associations or guilds, which still play a considerable role in Germany and Austria. It is these institutions alone that can instil the idea that one achieves self-respect by making and trading something good and not by making money. Furthermore, it is the guild idea which truly resolves the *aporia* of monopoly whereby state anti-monopoly legislation it itself an unwarranted instrusion within market competition that can even help to further other monopolies. Here once more it is Polanyi who has the vital insight: monopolies tend to be generated by the most free-booting and egoistic participants in the market. Hence a guild-restriction of

competition to those signed-up to guild-principles actually tends to ensure competition by slightly restricting competition. It thereby achieves what the ordo-liberals wanted but failed to see required a greater role for guild-operation. However, to avoid monopolistic corruption consequent upon guild-operation itself, as has undoubtedly occurred in the past, we need a new idea of *free* guilds which enjoy no legally-established sole right to trade. Licensing by a guild-organisation could then become economically advantageous in the way that a fair trade label is today because customers would receive thereby a certain guarantee of good quality of produce, fair treatment of all stakeholders in the enterprise and of consumers themselves. This notion of a 'free guild' also helps to meet the objection that guilds cannot cope with *new* trades and industries which arise with ever increasing frequency. For they need not fit into established professional associations yet have a model to copy. At the same time, a certain subordination of technology to relatively stable human ends might be served by bringing new technologies within the scope of existing guilds: we could then more easily ask for example, *what* social purposes do the mobile phone and the computer precisely serve? This purposive conservatism of guilds could also have a radically protective function.

4. The organisation of welfare. As much of this as possible needs to be organised by state-aided voluntary bodies recognised as corporate economic actors in order to ensure that people understand that they are involved in a visible and comprehensible give-and-take and can themselves exercise a regular charity. Also pension provision needs to be organised as much as possible within firms in order to ensure that the future needs of both employers and employees are as mutually bound-together and tied up with the destiny of the firm as possible. This might help to inhibit our current anti-virtuous volatility of employment.

5. Wider distribution of assets. Everything possible should be done through local banks, credit unions, co-operative housing associations, worker share –ownership and so forth to ensure a general de-proletariansiation and re-professionalisation of the population. At the moment all is going in the reverse direction.

6. A new corporatism. If businesses are to be encouraged to take social responsibility then the pay-off for that has to be a voluntary participation in political governance. This is a left wing theme all the way from Durkheim to Paul Hirst, as well as a right wing one.[33] It has been perverted into totalitarianism when (a) it has altogether displaced representative government of individuals and localities (b) it has been centrally directed and made compulsory and (c) has disguised a continued capitalist exaction of surplus-value from workers. Here the current Pope's support for stakeholding and share-distribution seems to indicate a break with the Germanic Catholic Ketteler legacy of reading 'co-determination' as if capitalists were the authentic equivalents of feudal overlords rather than people whose wealth had mainly been acquired through unjust exploitation. One can add that these degenerations are discouraged if the churches and other religious bodies help to co-ordinate inter-corporate governance without this all this being rooted through the state. Christians should recommend that the House of Lords be reformed as a representative body of corporations – businesses, religions, universities, trade unions etc. and not as a second House of Commons.

7. The primacy of land. As asserted by Vincent McNabb and H.F. Massingham in the middle of the last century,[34] Catholic Christians (Roman, Orthodox and Anglican) have always proclaimed that it is the countryside and the organic relation of the city to the countryside that most guarantees our animal rationality. The countryside is basic in terms of food provision, ecology and our sense of beauty which concerns supremely how we fit human with divine creative art. All Christians are ruralists and pastoralists unless they are deeply confused, while failure to see the primacy of the land threatens the integrity of cities most of all. Spiritual failure here has also a physical equivalent. The more that land is enclosed then the more also local ecologies are destroyed until the earth depends increasingly upon one fragile global ecology. But in the end of course, the global ecology of *gaia* depends upon the various

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[33] Paul Hirst and Veit Bader eds. *Associative Democracy: the Real Third Way* (London: Routeldge, 2001).

[34] Vincent McNabb O.P. *The Church and the Land* (Norfolk Va: IHS, 2003); H.J. Massingham, *The Tree of Life* (London: Jon Carpenter, 2003).

local ecologies and with their evermore reduced functioning will eventually collapse.

In conclusion it can be asked, what does it portend when all the sea is an inland sea? Does this mean that we are doomed to the demonic middle of commercial, zero-sum trade now that there are no localities and no remote exotic places merely rumoured? Now that the sea has totally invaded the land – and soon may do so literally?

Up till now it would seem so. But there is another possibility. This is that transport and communications could have truly provided the pre-conditions for the emergence of a global village. Globalisation mostly destroys locality but it is also possible for one locality to communicate directly with another in a totally distant part of the world. In this way it just could once more come to seem 'common sense' that all the economy should be subordinate to social reciprocity.

As Paul Claudel suggested in his epic play *Le Soulier de Satin,* we must, as religious people, and especially as Catholic Christians, assume that the seas were not conquered by Western Christendom for the sake of the victory of chaos, but rather for the material baptism in loving justice of all of humanity.[35]

[35] Paul Claudel, *Le Soulier de Satin* (Paris: Gallimard, 2000).

LONDON CITIZENS' 'TAKING RESPONSIBILITY AT A TIME OF ECONOMIC CRISIS'

An integrated approach to economic recovery

Maurice Glasman

The sheer scale of support to the banking sector is breathtaking. In the UK, in the form of direct and guaranteed loans and equity investment, it is not far short of a trillion (that is, one thousand billion) pounds, close to two-thirds of the annual output of the entire economy. To paraphrase a great wartime leader, never in the field of financial endeavour has so much money been owed by so few to so many. And one might add, so far, with little real reform.[1] (Mervyn King, 20th October 2009)

The financial crash of Autumn 2008 has yet to be fully appreciated. The mobilisation of resources was unprecedented, indeed the transfer of assets is the greatest redistribution from poor to rich since the Norman Conquest, when the common and freehold lands of England were transferred to the ownership of William the Conqueror. And yet it was received into a strange political silence, as if it were an administrative error that needed correcting, rather than a systematic crisis of a financial model within which greed,

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[1] Mervyn King, "Address to Scottish Business Organisations," ed. Scottish business organisations (Edinburgh: 2009). P.3.

fantasy and recklessness had combined in lethal combination. It was a global crisis but it led to distinctively national solutions. The people of Britain showed tremendous solidarity with the City of London and the financial sector in their hour of need. We think it time that the favour was reciprocated.

London Citizens have developed a distinctive and integrated response to the economic crisis. This combines a 20% cap on unsecured money loans, a Living Wage of £7.60 an hour and the use of 1% of the bailout to recapitalise local areas through endowments that would keep the credit stream moving for local households and businesses. The policy was developed through over 1000 one to one conversations and more than 250 house meetings of six or more people, within our member communities, in which the impact of the financial crash was discussed. It was voted on within each of our institutions and then voted on again in our regional assemblies in East, South and West London. So our approach reflects the unique nature of our community organisation and is the most sustained engagement by civil society with the credit crunch and subsequent banking bailout. Our proposals are an expression of our members' concerns and are united by an emphasis on distributing the burdens of recovery equitably throughout society. We have had our policy proposals tempered and transformed by our discussions with the Government, the opposition, the British Bankers' Association, the City of London Corporation, think tanks and other policy makers. We are interested in developing the best policy possible that recognises the distress caused to our members by measures that show great generosity to the banks but which do not give the same consideration to the conditions of life of those without great assets, income or wealth. We have listened to objections and arguments and have adjusted our policies where we thought the argument was sound. Ours are a living set of proposals, rooted in our traditions, generated by our members and relevant to this moment.

Our proposals are built around three pillars, which are designed to support a life that is more secure and free. The first is the Living Wage which we initiated and have campaigned for. This is calculated on the minimum possible income for an adult to work a forty hour week and feed, clothe and house themselves and two children. It emerged from the experience of our members who found that they were working and falling more deeply into debt. After initial setbacks we succeeded in this campaign at Barclays, HSBC, The LSE and Queen Mary's College as well as other major institutions in the financial and public sector. This has been well documented and studied in various research projects and reports. The Living Wage is the most effective anti-poverty measure leading to a direct transfer of money to the poorest workers; it improves employee retention and loyalty as well as productivity. Its implementation at Barclays cost less than one per cent of the bonuses paid. It strengthens family life and rewards work. Not the least of its benefits is that it is a necessary measure to reduce debt and most particularly the usurious rates charged to poor families in need of short term relief for other debts and necessities. Paying the lowest paid more, unsurprisingly, improves their position in relation to debt. It has been tried, tested and it works. That is why it is one of the three pillars of our campaign.

The second pillar is a twenty per cent cap on interest rates for money loans. This also arose out of the experience of our people following the financial crash. What they noticed was that while there had been a truly enormous expansion of credit for the banks, underwritten by the tax payer, in which a base rate of half a percent pertained, the cost of their borrowing was rising. What emerged from our one to ones about the crash was a widespread worsening of the conditions and terms at which the poor were being offered credit. We do not agree with the view that parents who cannot provide for the necessities of life and who are working are symmetrically situated partners in a voluntary contract. The need for the money is severe and immediate. We think that there should be a limit to how much trouble people who are already in trouble can get into. An interest rate cap of twenty per cent (calculated on the basis of the total cost of credit as we discussed) would still give an incentive to lend, but it would limit the extent to which unscrupulous lenders could exploit the situation of the borrower. As an organisation based upon faith communities we take a hard line on gambling, drugs, excessive consumerism and recklessness. As part of our programme we are also pioneering an educational programme called 'Responsible Lending, Responsible Borrowing'. The effects of such a cap on the scale and consequences of debt are obvious. In response to this it is often argued that the credit stream available to the poor would dry up and that it would drive people into the hands of illegal usurers and loan sharks and make the conditions of the poor worse. With the best of intentions we would create the opposite of what we wish, namely the immiseration of the poorest in the illegal economy.

In response to this argument we developed a further proposal: that 1% of the bailout should be used to recapitalise local economies by endowing a local banking system. All empirical evidence suggests that there has been a sustained transfer of assets from the regions to the City of London, and through that to the global financial market. The bailout itself intensified this trend. The demand for 'best value' in public and voluntary sector strengthened this trend also. The demand for maximum returns on investment can lead you far from your own locality and this was often the case. The impoverishment of assets and the lack of endowment have left people without access to credit. In order to restore the balance in what has been a very one sided transfer we propose that one per cent of the bailout be used to endow a local banking system. Mervyn King and the IMF both state that the total cost of the bailout is over a trillion pounds. One percent of that, around 10 billion on this calculation, should be used to endow a local banking system—a banking system in which one of the terms of the foundation body is that money cannot be lent outside the area it serves. The Trustees of the endowment would be the local institutions of Civil Society, which would ensure a balance of power in corporate governance and a common interest in the good of the place in which they live and work. This money would be prioritised to bring credit to local households and businesses. In the cases where the provision of credit was not possible due to the scale of the risk the applicant would not be deserted but referred to the institutions of local government and civic governance to engage in the possibilities of a change of circumstance, including attending our courses on financial literacy and helping to broker new relationships. We do not take a position on Mervyn King's proposal to address the 'too big to fail' question by dividing banks into local and investment operations. What we do argue is that a transfer of assets through endowment to capitalise a local and relational banking system would be to the benefit of the economy, to the families and individuals who live in decapitalised areas, and strengthen liberty and security in the realm. We argue that it is an appropriate show of appreciation by both the State and the market of the solidarity shown to the banking sector by all people in the country in the crash.

In our view these three proposals that form the legs of our stool provide the platform upon which sustained economic recovery can ensue which engages the energy of all the population. We raise the floor through the living wage, lower the ceiling through the interest rate cap and keep a fresh credit stream running to households and businesses by providing liquidity to localities and real competition to those who specialise in lending to those who have difficulty borrowing. The returns for such an endowment may be lower than those financial products which were a key component in severing the link between the real and the virtual economy and which threatened the entire economy. We consider this a good thing. The Co-op bank had half a percent of the toxic debt of the sector as a whole and they engaged overwhelmingly in local relational banking. We have learnt from that lesson. We do want our banks to be prudent, local and integrated into the local economic and social life of the place they serve. Taken together such measures would strengthen society, limit the power of money and reward those who work and save. It is a societal response to the bailout that is commensurate with the severity of the threat of financial collapse and the scale of government action that ensued.
We are determined that the distribution of the burdens and benefits of economic renewal should involve all parts of the country and all sections of the community.