

Catholic Social Thought and the Economics of the Common Good

In his obituary in the Times in 1998 they described the third Lord Craigmyle as 'a convert with a deep piety and astonishing personal generosity'. I am sorry to disappoint you so early in the evening but I embody none of those virtues. All I can offer is the only one I have which is that of gratitude. I am extremely honoured to be asked to speak to the Catholic Union on this subject of Catholic Social Thought and the Economics of the Common Good. I am grateful at three levels.

I am a Jew, and it was Yom Kippur, the Day of Atonement yesterday so please understand that I have reflected on my sin very recently, and to invite someone of a different faith to speak on the teachings of the Catholic Church is a very generous act. I really appreciate it.

The second gratitude is to the Catholic Church and its social teaching which has been a guide and an inspiration to me in my life and in my politics. It says at the beginning of each Encyclical that it is a 'gift to the world' and it has been gratefully received by me and through it I have made true friends, some of whom are here tonight. The motto of the Catholic Union is 'Public engagement by Catholics for the Common Good' and there can be no better guide to that engagement at this time than Catholic Social Thought and I will argue in my talk tonight that it provides the general framework of our social renewal particularly in relation to the political economy. It presents a reasonable hope that each person can contribute to the common good and benefit from it. The society it promotes is in all our mutual interests.

The final area of thanks is academic. The insights of Catholic Social Thought resolved a set of academic problems which I could not solve relating to the structure of the German economy. This is how I first came across it, in an entirely secular academic environment while studying for my doctorate at the European University Institute in Florence. My thesis was on the German economic system. Neither Keynesian nor neo-classical economic theory could explain the distinctive institutions that characterised the post-war German Economy; the vocational system of not only training but labour market entry, the balance of power in its corporate governance between capital and labour, the regional banks that were constrained only to lend in the area they were endowed within, the co-determination of the pension system; all of these were elusive for analytical models that could not conceptualise any intermediate institutions between the individual and the collective, the market and the state. Rational choice theory was tying itself in knots trying to work this one out. The distinctive stress within the German system on labour value and the importance of place were practically real but theoretically obscure within the prevailing academic literature. I was also interested in the particular nature of its welfare system which worked through civic institutions and preserved a sense of status, solidarity and subsidiarity. I could not find a theory that could explain the data.

I was discussing my theoretical problems with a fellow student and she asked me if I had read any Catholic Social Thought. I had no idea that such a thing existed. It was not a big deal in London when I was growing up. I knew about Liberation Theology but this was something very different. The first Encyclical that I read was *Laborem Exercens* which was followed quickly by *Centesimus Annus*.¹ The insights I discovered concerning the meaning of labour, vocation, virtue and value as economic categories, the balance of

power in corporate governance, the role of non-State institutions and the way they can place constructive constraints on capital and the centralised state were not only transformative of my understanding of the German political economy but of my theoretical approach and ultimately my politics.

This led to the establishment of Blue Labour, a distinct formation within the Labour Party, which places the insights, practices and concepts of Catholic Social Thought at the centre of our political economy and believes that it offers the basis for a humane economic system in an environment when both Keynesian and neo-liberal theories have failed. It is different and better in relation to its rivals. Catholic Social thought offers the possibility of a rationally superior paradigm of economics precisely because it includes tradition, institutions and labour value as constitutive of an innovative and competitive economy.

The need for a new political economy is desperate but elusive, and this is the root cause of the impatient malaise in our contemporary politics where no one believes in the remedies offered and yet there is no constructive alternative available. It feels like we are in a perpetual doom loop in which the same dogmatic banalities are endlessly repeated and the mantra of change and innovation only leads to more of the same. It is one of the tragic paradoxes of our time that it was the abandonment of the Catholic orientation of the EU in favour of a more utilitarian and British conception of the economy that opened the door for Brexit and the solution to its problems lie in its recovery of the fundamental ideas of subsidiarity, status and solidarity within the economy that were the basis of the West-German economy and the origin of European co-operation in terms of coal and steel as well as agriculture.

The paradox of contemporary European politics is that the country with the greatest degree of labour representation in its corporate structure, the most intense system of vocational interference in labour market participation, the greatest degree of constraint on finance capital in its banking system generates the greatest value and is the most successful within the international economy. Germany has successfully exported its goods but not the good of its economic system.

Neither economic liberalism nor Keynesianism can conceptualise vocation, virtue or labour value as economic categories, neither can they give a primary economic value to intermediate institutions, whether they be the corporate governance of a firm, vocational colleges, regional banks or supporter owned football clubs, they can only conceptualise the state or the market and all forms of particular association as at best 'cultural' or at worst 'obstructive'. In such a world the very idea of the social begins to disintegrate as it has no institutional form.

They can give no conceptual status to place, to the specificity of place and the necessity of institutions in generating virtue and value within it. We are all at sea and yearn for the security of dry land.

The Political Economy founded by the tradition of Catholic Social Thought is radically different in that it is designed to avoid the concentration of power in either the City of London or Westminster.

We are living I think, in what the Italian theorist Antonio Gramsci called an interregnum, which he defined as a time 'when the old is dead but the new cannot be born, when there is a fraternisation of opposites and when all kinds of morbid symptoms pertain'. It is as good a description of the mood and volatility of these times

that I can find, and in such a period the political stakes are very high, the dangers are real and it is disturbing and frightening. Ever ancient, ever new, I urge you to take courage from your faith.

One of the reasons that Catholic Social Thought has such an advantage to competing intellectual interpretations is that it is a fallen theology, within which sin is permanent feature of human life. It is neither messianic nor utopian in form, and this can be summed up by the statement by John-Paul II in *Centesimus Annus* that 'man tends towards good but is also capable of evil'.ⁱⁱ There is no sphere of life in which the reality of vice and selfishness, greed and dishonesty are more apparent than the economy. No sphere where there is a greater need for accountability and constraint. There is also no requirement to believe in god in order to understand that and to view both motive and consequences as sinful. Human beings and nature are also another word for Creation itself and it cannot be right to view both as exclusively commodities and to deny their sacred character so that they are owned, and bought and sold according to fluctuating prices.

Given that reality, Catholic Social Thought tries to find 'incentives to virtue' to work with a conception of the human being, of human nature, as based upon self-interest broadly conceived, in which people find their meaning through love and work, through labour and the fulfilment of their duty to others and this should be recognised in the incentive structures. Incentives need to be given to conceive of a better future and to make sacrifices for it, to promote honest and creative labour and reward participation.

That is the main reason why it offers a way out of this interregnum and why this second reformation may be a Catholic one. I have only met Pope Francis once, when I was invited to the Vatican to explain Blue Labour and the politics of the Common Good in 2013, and all he really said to me, with a perplexed look on his face was 'Who would have thought? England.' He looked genuinely amused and his insight has stayed with me. Catholic thought is an exiled tradition within our country and it is time for it to come home.

So what is the political economy of Catholic Social Thought?

The first distinctive feature of this political economy is its use of the categories of labour and capital.

It upholds a theory of Labour value in which work constitutes value, in both the subject, the person who works, and in the object, the commodity produced. Labour has value in itself and is constitutive of the person and of the species.ⁱⁱⁱ 'Man is born to labour as a bird to fly' wrote Pius XI in *Quadragesimo Anno*. It is a cruel paradox that it should also be the site of domination and exploitation. According to the Catholic Theory of Labour Value reason is not found exclusively in management but also in the act of work, which draws upon an inheritance of good practice and tradition and this is captured by the idea of a vocation.^{iv} The tradition is based upon the 'priority of Labour' which indicates a substantive body of skilled practice, embodied in the individual person and their vocational institutions, that cannot be entirely subordinated to external demands, not least those of capital. The dignity of labour is also a respect for the application of knowledge to a task. A good definition of virtue is good doing rather than do gooding.

Capital is viewed as the inheritance of the accumulated means through which human beings appropriate and transform resources. In other words, finance capital is constituted by the labour of previous generations and for this reason Pope John-Paul II

wrote in *Laborem Exercens* that 'capital is the result of work and bears the signs of human labour'.^v It is, in part, a shared inheritance. When capital asserts its independence from its origins and enforces its will by sacrificing labour, whether through exploitation or exclusion there is alienation, defined as the oppression by the worker through their own estranged inheritance.^{vi} Capital, understood as the means of production, and not exclusively in terms of its financial form, is the result of combined human ingenuity, effort and skill across generations. It has an internal form and is not just an external force, it is an inheritance as well as an asset.

Capital is thus a paradoxical force, capable of creativity and destruction, innovation and exploitation.^{vii} In its pursuit of the maximum immediate return on investment, however, capital views labour merely as a factor of production and under these circumstances labour loses its human form, and this can lead to exploitation unless it is 'curbed strongly and ruled with prudence'.^{viii} According to Catholic economic thought the principal means of curbing the domination of capital, its tendency to short term rationality over a more substantive reason is not through the strengthening of the centralised state but through the recognition of a plurality of countervailing institutions in the economic realm that uphold the human status of labour, the shared inheritance of knowledge and the preservation of tradition through their practices. Universities, vocational colleges, regional banks, schools and unions are examples of these. Their function is to constrain capital and uphold the importance of non-pecuniary goods within the economy. Goods of honesty, reciprocity, mutual dependence and negotiation. Aristotle wrote that institutions are embodiments of human value and they domesticate the unlimited desires that capital makes possible.

The fundamental problem that we confront is that finance capital, severed from its origins in labour and from traditions that generate value, is by its nature promiscuous. It is constantly seeking new partners, higher returns on investment, more bang for its buck, trying to break free of old entanglements and relationships and hook up with new and younger partners that offer less resistance to its will and easier returns. Outside of all relationships, it acts as Aristotle said that anyone would act who was outside of constraint and relationships, 'like a beast or a god'.^{ix} The particular Catholic analysis argues that capital in this form tries to commodify, to turn something that was not produced for sale, such as human beings and nature, into a commodity for sale on the market.^x It leads to the exhaustion of the person and their environment. Catholic Political Economy is based upon the resistance to commodification without an exclusive reliance on a centralised state but works through democratic decentralised institutions. This is the meaning of subsidiarity. It is one of the central insights of Catholic Social Thought that it does not wish to abolish capital, or nationalise the economy but it wishes to domesticate the beast and false god through a strategy of entanglement and accountability by means of civic and vocational institutions embedded within the economy.

The commodification of labour was and is an enormous threat to the integrity of human life and is the 'new thing' that was addressed in the founding Encyclical, *Rerum Novarum* in 1891, two years after the founding of the Labour Movement in Britain by the dockers strike supported by Cardinal Manning and by William Booth.^{xi} It is an enormous credit to the Labour tradition that our dispossessed and exploited forebears created burial societies so that they would not have a paupers funeral, they built houses and educated themselves, they built banks and building societies to challenge their dispossession by enclosures as well as unions to assert their humanity against the

ferocity of their degradation and humiliation. They retained a distinctively human form for labour despite the enormous pressures of a free market and a poor law state through the practices of reciprocity, association and institution building. The Catholic contribution to that was central. It was a politics of the Common Good and we should remember that more often.

Capital, according to Catholic Social Thought in itself and by itself does not create technology, it does not innovate. Labour, human beings do that by working within traditions of understanding that allow external pressure and changes in knowledge and technology to be assimilated through an internal understanding. Knowledge organises information. That is why the idea of a vocation is vital for it enables people to assimilate new knowledge within shared and inherited understandings and resist the domination of money over people, of capital over labour. This is put succinctly by John-Paul II in *Centesimus Annus* when he writes that 'Man's principal resource is man himself'.^{xii} It also preserved a status for the worker in the economy.

The central proposition is that labour and capital are mutually necessary and connected, not estranged and opposed. The problem comes when capitalism claims 'excessive advantages to itself'.^{xiii} In *Laborem Exercens*, Pope John-Paul II concentrates precisely on this issue. He writes that a labour system can only be right 'if in its very basis it overcomes the opposition between labour and capital through an effort at being shaped in accordance with the ...substantial and real priority of labour, of the subjectivity of human labour and its effective participation in the whole production process.'^{xiv} Participation is the key category and this will be discussed further in its conception of corporate governance.

A less academic way of understanding this conception of capital within Catholic Social Thought is through the story of the Northern Counties Permanent Building Society established in 1850 in the North East that grew steadily over the years. During the Miners' strike it suspended mortgage payments for striking miners so they could keep their home. It was part of the local economy and society, that most precious civic inheritance, a trusted financial institution. In 1965 it merged with another local institution, the Rock Building Society to become Northern Rock Building Society.

I think you see where this story is going.

It demutualised in 1997 and became Northern Rock, which sponsored Newcastle United and became the fifth biggest lender in the UK market. An institution that was founded by local people for local people and had partnered its region in good times and bad for a hundred and forty seven years, that had weathered four serious depressions and emerged stronger from each could not last through New Labour's period in Government. It was nationalised in 2008 and Newcastle United were then sponsored by Wonga, a company that began its lending at four thousand per cent at a time when the banks were borrowing at less than three. It is now owned by Sports Direct and is sponsored by a Chinese gambling company.

The name of the Northern Counties Permanent Building society mocks us now. A great city, Newcastle, was degraded by a lack of regard for institutions that belonged to the people of the area and which generated value. The story generates, in contrast, a feeling of abandonment and dispossession.

Capital is a power, it exerts that power to commodify the person, nature, institutions and knowledge through its imperative of maximum returns on investment. It requires

institutions, and virtuous institutions at that to domesticate its insatiable desire for more quicker. The alternative to this is a dehumanising state. That is the central insight of the political economy of Catholic Social Thought.

What are these institutions?

The idea of worker representation in Corporate Governance was already present in *Rerum Novarum* as a practice that would promote the balance of interests necessary for the necessary reconciliation between capital and labour.^{xv} Corporate governance representation for labour addresses the necessity of a form of accountability that does not claim all advantage for one side, that can restrain cheating, greed and avarice in the working life. The specific technique developed within catholic social thought was a form of relational accountability, in which the real physical presence of the workforce on boards required a sharing of information regarding the firm and the sector, a negotiation of modernising strategy which was not set exclusively on terms beneficial to capital.^{xvi}

Pope Pius XI wrote in *Quadragesimo Anno*, published in 1931:

Capitalism 'violates right order whenever capital so employs the working or wage-earning classes as to divert business and economic activity entirely to its own arbitrary will and advantage without any regard to the human dignity of the workers, the social character of economic life, social justice and the common good.'^{xvii}

He goes on to say:

'This power becomes particularly irresistible when exercised by those, who, because they hold and control money, are also able to govern credit and determine its allotment, for that reason supplying, so to speak, the life-blood of the entire economic body, and grasping, as it were, in their hands the very soul of the economy, so that no-one dares breathe against their will.'^{xviii} Try working in an Amazon Warehouse and tell me that isn't true.

There is no finer analysis of the circumstances that led to the financial crash in the City of London and New York in 2008. It was the absence of relational accountability, the lack of internal constraint on capital, and the absence of the labour interest, that provides the fundamental explanation of the loss of Northern Rock. The financial crisis was generated by the concentration of capital, a lack of accountability so that money managers could lie, cheat and exaggerate without any specialist interests with knowledge of the internal working of the firm who could challenge them. We learnt that accountability is too important to be left to accountants. It was a crisis of accountability, of a lack of virtue and also of 'incentives to vice' in the form of bankers bonuses and unilateral self-remuneration. It was also a result of the disentangling of capital from its origins to such an extent that it was unconstrained and exerted relentless demands for higher rates of returns. These turned out to be speculative and fantastical. There was no vocation or virtue in the governance of the financial sector and the key to its remedy lies in the expertise and interests of labour, who through their representation in the firm could hold the un-virtuous elites to account and bring about the necessary cultural change required to break out of the present malaise. Responsibility and power needs to be shared in order to be effectively exerted.

Central to the promotion of virtue in the economy are also vocational institutions, which were preserved within the Catholic tradition when modernity seemed to demand transferrable skills or a stress on a career or a profession. Vocation includes within

itself a calling, of work that is authentically your own and not defined exclusively by its external rewards or demands but characterised too by internal goods that are rooted in a tradition of practice. A vocation, requires discipline and judgement, good doing and constrains vice through the concept of good practice institutionally enforced. Honour, skill, loyalty and dedication are necessary for the preservation and renewal of value, which are also judged by other practitioners and not exclusively by the price system.^{xix} What academics call Peer Group Review is built into the vocational system.

Virtue is good practice embodied in the person and supported by the group. It allows for an inheritance to be received, renewed and passed on. It places work, not exclusively as the immediate fulfilment of a task but as something that is received from the past and oriented towards the future. Vocational institutions valorise labour, constrain capital and promote virtue. The internal goods preserved by vocational institutions are a direct threat to the domination of capital but necessary for its successful reproduction. This is what is meant by giving the worker a status within the economy.

It is also necessary to promote regional banks that are constrained to lend within a particular area. They are a necessary part of the institutional ecology in that they resist the concentration of assets in the City, allow a more stable access to credit for regional and smaller businesses and encourage relationships and reciprocity to constrain the demand for higher rates of return that have decimated the mutual bank sector in Britain. They also offer an alternative to usurious lending, one of the great growth areas in our economy. We need to re-endow the Northern Counties Permanent Building Society and make that endowment specify that the capital is for the region and that it is permanent this time.

What is required from the new political economy is a radical redistribution of power and responsibility based around a common good within and between institutions as the generator of virtue, vocation and value. A move from debt to value. That is the task of the new Statecraft, which is really a retrieval of the virtues of traditional statecraft that have been forgotten. Such an orientation is best conceived through the institutions, practices and conceptual framework given to us by the political economy of Catholic Social Thought that I have tried to explain tonight. It is not the least of the paradoxes of our particular time that faith will play a constitutive role in the redemption of citizenship.

Thank you.

Maurice Glasman

Notre Dame University. October 10th, 2019.

ⁱ 'Laborem Exercens', John-Paul II, 1981. In Catholic Social Thought: The Documentary Heritage, Edited David J. O'Brien and Thomas A. Shannon, Orbis Books, New York 2005 pp. 352-394. Hereafter LE. 'Centesimus Annus: On the Hundredth Anniversary of Rerum Novarum' John Paul II, 1991. *ibid* pp. 439-488. Hereafter CA.

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- ⁱⁱ CA 25. This is described in *Rerum Novarum*, para 14. 'To suffer and to endure, therefore, is the lot of humanity, let men try as they may, no strength and no artifice will ever succeed in banishing from human life the ills and troubles which beset it.'
- ⁱⁱⁱ 'Quadragesimo Anno: After Forty Years', Pius XI, 1931. Ibid. P40-80. Hereafter QA, Para 61.
- ^{iv} LE 6.
- ^v LE 12.
- ^{vi} CA 41.
- ^{vii} LE 11
- ^{viii} QA 88
- ^{ix} Aristotle, The Politics, book one. 3225.
- ^x CA, 4.
- ^{xi} CA 40. 'There are goods by their very nature cannot and must not be bought and sold'.
- ^{xii} CA 32.
- ^{xiii} QA 54.
- ^{xiv} LE 13.
- ^{xv} 'Rerum Novarum', Leo XIII, 1891, *ibid*, pp. 14-39. Para 34.
- ^{xvi} See QA 132.
- ^{xvii} QA 101.
- ^{xviii} QA 106
- ^{xix} CA 32, LE 18