

Comments on

“Inequality and growth: the road ahead. Setting up a voluntary Solidarity Fund” by Josef Bonnici

By Malcolm Brown

Josef Bonnici expresses very lucidly the economic case against high and rising inequality. On grounds of “normal” economic rationality alone, moves to narrow the gap between the richest and poorest are imperative. The fact that this has not happened raises the key question of why inequality has continued to grow in defiance of the apparent economic logic. At the least, this suggests that the dominant economic model, based on Rational Choice Theory (RCT), is flawed. The continued rise in inequality, in the teeth of the evidence for the disutility of inequality, should have done great damage to the apparent inviolability of RCT. Yet RCT retains its hold on the theoretical underpinnings (one might well say, on the *anthropology*) of conventional economics. So how do we explain the growth of inequality and, at the same time, the continued assumption (among economists, politicians and others) that RCT is still a viable model of human economic behaviour? Might an explanation of the foundations of this kind of economic irrationality help us assess whether Bonnici’s proposal of a Voluntary Solidarity Fund (VSF) would be effective in practice?

The irrationality of inequality

The arguments about the disutility of high levels of economic and social inequality have been explored in great depth in recent years. The work of Thomas Piketty comes to mind and, in the UK, the work of Richard Wilkinson and Kate Pickett in their widely-read book, *The Spirit Level*.¹ The book’s sub-title, *Why Equality is Better for Everyone*, sums up Wilkinson and Pickett’s thoroughly-researched thesis. Inequality damages the lives of the rich as well as the poor, not least by raising concerns about security and thus preventing the rich leading the lives of freedom that they fondly hoped their wealth would enable. Whether one considers community coherence, mental health, drug abuse, physical health, life expectancy, obesity, educational attainment, teenage pregnancy, violence, rates of imprisonment, or a number of other indices, high rates of inequality make matters demonstrably worse in terms of the kind of society which most people, most of the time, say they want to live in. The toleration of high, and growing, levels of inequality erodes the vision of a good society which commands the greatest expressed allegiance – and yet there remains massive resistance, socially as well as politically, to narratives which emphasise greater equality.

Despite its sober, non-rhetorical, carefully modulated and extensively referenced style, *The Spirit Level* has come in for strident attack. Not all of this came from the British mass media which is notorious for being predominantly controlled by owners with a vested interest in

¹ Richard Wilkinson and Kate Pickett, *The Spirit Level: Why Equality is Better for Everybody*, London: Penguin Books, 2009.

amassing and retain vast personal wealth. The significance of the book's findings extended across the Atlantic and was taken seriously enough by the parts of the Republican Right in the USA to warrant vitriolic attack. That a single, quasi-academic, text (albeit one which was ably marketed by a mass-market publisher) should provoke such a hysterical reaction also says something about the way that questions of (in)equality have moved beyond the reach of rational dialogue. There is clearly something going on here which is not accounted for rationally, whether in economics, social policy or politics. However dysfunctional a society which is grounded on wide inequality, the possibility of living by any other narrative appears to be so frightening that it cannot be contemplated. Unless we try to understand this phenomenon, attempts to mitigate or reverse the trend toward widening inequality may too easily founder.

In the end, finding rational explanations of irrational behaviour is a task too great for a short paper. My point, in relation to Bonnici's paper, is simply that adherence to policies which widen inequality are economically irrational, socially irrational and probably politically irrational (since the concentration of wealth in a smaller and smaller clique is hugely damaging to democracy) if we accept the premise that the purpose of economics and politics is to secure the best social outcomes for the majority. Perhaps it is not the logic, but the premise, that needs to be called into question.

If we are reluctant to assume an epidemic of irrationality, is it possible that the explanation may be even more alarming? Could it be that we in the developed West now live in a post-democratic context where government of the people, by the people and for the people is effectively replaced by government by and on behalf of a global economic elite? Might we also posit the idea that the economy, far from seeking to build a good society, is geared to serving a tiny minority who have grasped sufficient levers of power to asset-strip each nation in their own, globally footloose, interests? And might we go one step further and suggest that the organs of the media, and even the patterns of thought that are regarded as "common sense" are really geared to creating a passive, fragmented and compliant population, adept at consuming but disabled from protesting, organising or thinking independently?

Of course this sounds both alarmist and apocalyptic, and I certainly do not propose any such thing as if it were a complete description of our condition. But my point is that the existence of trends in that direction – consciously initiated or otherwise – may help explain why the irrationality of inequality remains so persistent. As moral philosophers and ethicists become increasingly interested in critiquing modern liberalism, some interesting paradoxes are emerging.² Thus the standard framing of Western politics, balanced between the market-oriented right and the socially oriented left, can be understood as two sides of a single coin, both drawing, ultimately, on narratives of liberal individualism – economic liberalism usually

² This trend in moral philosophy can be traced quite specifically to the publication of Alasdair MacIntyre's *After Virtue* (2nd edn. 1983) which deployed new readings of Aristotle and Aquinas in a devastating critique of Enlightenment liberalism which has had a major impact on disciplines as diverse as theology and management theory.

combining with social authoritarianism against social liberalism combined with economic dirigisme. But the underlying anthropology in both cases is that of the interchangeable individual, detached from family, continuity, tradition or moral narrative – detached, in other words, from every influence that might resist the reduction of the human being to a mere worker/consumer in the service of global capitalism and thus detached from the sources of moral formation that would identify the evils associated with inequality.³

Contrasting a narrative of liberalism and a theological narrative of the Common Good

It is not irrelevant that, in such a context, the role of religion is not only underplayed but actively attacked. The established “liberal” story of human enlightenment gradually but inexorably replacing superstition with reason, conformity with freedom and community with individual self-realisation is, as Larry Siedentop and others have shown, a travesty of the historical reality. Just as Jeremy Waldron has argued that those, like Locke, credited with being the progenitors of the Enlightenment were motivated by a Christian faith and the desire to bring forward the Kingdom of God, so Siedentop has given a convincing and historically-based account of the pivotal role of Christianity in establishing for the first time the notion of the personal worth of every human being, the principle that equality must be built on freedom, the primacy of conscience, the transgression of class and ethnic boundaries, the establishment of communities based on total equality, and the idea of doing unto others as one would be done by.⁴ Far from being the fruits of secular atheism, these things are rooted inextricably in the Christian tradition. I submit that part of the irrationality surrounding inequality is that, in the popular imagination, it has been attached to a founding narrative of secularism which actively denies and denigrates the Christian origins of those virtues. The Christian inheritance values the individual whilst understanding that personhood is only fully realised in community. By denying this, the dominant liberal narrative contains the seeds of its own destruction since, not only is it based on an ahistoric travesty, but the privileging of individualism without its community context plays straight into the hands of the economic ideology which treats equality as a chimera and extols widening inequality as economically virtuous. In short, whether or not our economic, social and political systems are in fact being run in the interests of a global elite, the dominance of secular liberalism on both left and right has damaged – even destroyed – our capacity to resist the possible trend toward such a condition. By abandoning the Christian notion of the Common Good in favour of endless self-realisation and self-reinvention, we have made ourselves vulnerable not only to exploitation but to complicity in the abandonment of the rational principle itself.

How does this relate to Bonnici’s concrete proposal for a Voluntary Solidarity Fund? I think his proposal for a VSF is interesting, altruistic and may, if it could be realised, have some ameliorative impact. I believe that measures of this sort can be effective, not just as ways of

³ See, for example, the work of James Kalb such as *The Tyranny of Liberalism* (Wilmington, DE: ISI Books, 2008) for a fuller – if overly rhetorical – development of this idea.

⁴ Jeremy Waldron, *God, Locke and Equality: Christian Foundations in Locke’s Political Thought*, (Cambridge: CUP, 2002)

Larry Siedentop, *Inventing the Individual: the origins of Western liberalism*, (London: Allen Lane, 2014)
See also - Locke

shifting economic outcomes (in fact, any such impact may be negligible) but, most significantly, as beacons of hope and evidence that there remain alternative ways of thinking about our economic relationships and ways for individuals to live their lives altruistically. To witness to alternatives is no mean thing in an increasingly homogenised world. My anxiety is that the VSF proposal, as outlined by Bonnici, is neither radical enough to provide a sufficiently challenging witness to alternatives, nor likely to be robust enough to upset the broader trends toward widening inequality by becoming a market player of sufficient weight to force a paradigm shift within the market parameters themselves. In short, my anxiety is that the proposal is worthy, but neither attractive enough nor effective enough to do more than scratch the surface for a small group of altruists. That is, emphatically, not to argue that it should not be attempted – only to suggest that the problem of inequality persists on a quiet different scale to the proposed ameliorative measure.

The proposal starts with voluntarism and is based on “the moral standards of the individual’s conscience”. It goes on to espouse the principle of incentives and the individual’s desire to control how his/her contribution is deployed. There seems to me to be a tension here between the principle of participation (good) and the manifestation of it in individual free choice (which could too easily, I think, play into the dominant narrative of individual autonomy and control). The focus on the individual rather suggests that Enlightenment liberalism remains the philosophical foundation. Examples are cited of the Gates and Buffett Foundations – two ventures grounded on the principle that super-rich individuals, themselves prime beneficiaries of widening inequality, might deploy their marginal income in ways that achieve socially useful ends. The reliance on high-net worth individuals worries me – I cannot see how the primary beneficiaries of the trend toward the concentration of wealth in few hands can be expected to be advocates for any radical challenge to the economic irrationality that put them in their exalted positions. It is not obvious to me how the objective of giving a voice to the weakest in society would be meaningfully fulfilled as long as high-net worth individuals are pivotal to the project. I cannot see how the VSF challenges accumulations of power at a deep, rather than a marginal, level – and accumulations of wealth are surely about the power which wealth inequality confers. A viable project will surely need a deeper analysis of power, not just an analysis of money.

The proposal for a percentage benchmark for contributions is interesting. At one level, it resembles a kind of voluntary extension of the taxation system. It reminds me of the action by British Quakers in the 1980s who objected to the then Conservative government’s income tax reductions (and consequent cuts to social services) by paying the balance of the tax they would have formerly paid into a Quaker-run fund for good works. The problem was that, over a relatively short space of time, the people who could remember paying tax at the old rate diminished and the sense of what was a reasonable level of income tax soon stabilised at the new level. The fund was relatively short-lived since its rationale depended on a nostalgic commitment to the old status quo. The VSR proposal might overcome that by being based on a more clearly thought through philosophy and an overt new economic model. My suspicion is that this side of the project needs more thought to establish how a constituency committed to challenging social and economic norms can be sustained long term.

A VSF embodying Christian witness to alternatives

Where I am in strong accord with the proposal is in the centrality of the church to the idea. As noted, the Catholic church is well placed, through its established and coherent tradition of CST, to be a vehicle for challenging economic orthodoxy (although other churches have comparable resources).⁵ But apart from the church perhaps contributing capital, what I feel is missing from the proposal is the massive potential which the church has, through its theological and ecclesiological resources, for offering a major alternative narrative.

The church as a community should be much more than an assembly of individuals. My worry over the notion of action driven by individual conscience is that, in practice, I am not confident that the conscience of Christians (especially high-net worth Christians) is sufficiently formed by their ecclesial and theological identity. Too often, Christian formation is trumped by formation within the social narrative of secular liberalism. I have come to believe that there is an increasingly stark choice between the liberal individualism of western society, economics and polity, and the Christian ideal of community under God to which the church is called to both witness and exemplify. How can the church be the kind of community which models the radical equality of the gospel in the face of the atomised and fragmentary “equality” agendas of our day which so utterly neglect the notion of economic and material equality?⁶ I find myself appealing here to the theology of people like Stanley Hauerwas nurtured in the Mennonite tradition, John Milbank whose work has emerged from the catholic strand of Anglicanism, and their many followers – all acolytes, one way or another, of Alasdair MacIntyre whose convoluted life journey finds its present long-term home in Thomist Catholicism.

This implies that a VSF makes most sense as a church programme – part of a complex of alternative ways of living that are coherent with the gospel, viable on the relatively small scale and which collectively contribute to the church’s vocation as a “place where they do things differently” and model Christian virtues – not least the virtue of equality. As a project with ambitions to challenge or reverse inequality on a national or global scale, I am less sanguine.

Solidarity, the Common Good and the financial sector – a recent Church of England example

I want to end with an example of how a communitarian initiative, grounded in Christian theology, can challenge in important and complex ways to the dominant narratives which

⁵ See: Malcolm Brown (ed.), *Anglican Social Theology* (London, Church House Publishing, 2014)

⁶ When the then Labour government introduced its Equality Bill in 2007 it was hailed as the most significant step toward greater equality for a century. I was amazed that it said precisely nothing about wealth inequality or about challenging the widening of material inequality – its conception of equality was confined solely to identity politics. It was certainly the most significant move toward atomised social individualism for a century – and the transformation of the Labour Party from a party inspired by the gospel, fighting for social and material equality, to a metropolitan secular crusade against family, faith and community coherence, appeared complete. Only the small group calling itself “Blue Labour” offered a rooted and implicitly theological restatement of Labour’s concern for greater equality, and they have not yet emerged from the margins.

shape our current economic culture of inequality. In 2013, the Archbishop of Canterbury spoke in the House of Lords to criticise the so-called Pay Day Lenders for their role in deepening the financial exclusion of whole communities.⁷ He was attacked in turn by the founder of Wonga, the largest and most profitable pay day lender, which led to the two men meeting. During the encounter, the Archbishop was accused of putting his faith in government regulation, to which the Archbishop replied, “I want to see you and similar firms competed, not regulated, out of the market place.” When this sentence was quoted in a subsequent magazine article, it went viral and the Archbishop, in response, committed the Church of England to supporting alternative models of community finance that would allow a better choice than loans through pay day lenders.

At first sight, then, the Archbishop appears to be promoting a classic market place solution – competition – grounded in a philosophy of liberal individualism. But on closer inspection, this was not quite so. First, the Archbishop clearly recognised that the liberal market model was failing on its own terms. The British retail banking sector comprised only five major banks – in stark contrast to the much larger numbers in countries such as Germany or the USA – and in recent decades a whole alternative sector, the mutuals or building societies, have been bought up by, and amalgamated with, the banks. The Archbishop understood that not only was there insufficient competition between banks to promote a healthy financial market but that there was effectively no competition at all between different kinds of savings and credit institution. His proposed way forward was, and remains, to build up the Credit Union movement to the point where it becomes a viable competitor to the banks on the one hand and the pay day lenders on the other, in respect of serving poorer communities.⁸

In short, the Archbishop’s proposal was to enable an institution grounded on a communitarian understanding of society to compete against commercial institutions constructed on a premise of liberal individualism. In so far as Credit Unions are, in many places, associated with Catholic churches and CST, this is an interesting affirmation of the idea that social institutions grounded in CST can be viable players in a market place, although that market place contradicts at many points the principles of Christian ethics. The intention is that, by demonstrating that ethical financial modals can be effective competitors, the market itself may be, to some extent, re-moralised.

The Archbishop described his venture as an attempt to initiate generational change, not a short term quick fix. Its ultimate success is still an open question. But it is intriguing that progress toward strengthening Credit Unions to the point where their governance is robust

⁷ Pay Day Lenders make ultra-high interest rate loans, rapidly accessible and without serious credit checks, mainly to poor people. Their business model relies on a high percentage of customer defaulting in order to make profit on roll-overs.

⁸ Credit Unions are a kind of mutual community bank designed to promote savings and to offer credit to people defined by what is called a “Common Bond”. The interest rates they charge are limited by regulation. They are typically managed by volunteers although they may employ staff. The Common Bond may be a neighbourhood, a city, a profession or membership of some other body. The Church of England has recently joined with other churches to launch the Churches’ Mutual Credit Union for clergy and church staff.

and they are able to offer a useful range of financial products has been even slower than expected. As has been noted by our Scottish colleagues, England appears to view Credit Unions as anti-poverty strategies rather than as players in the financial sector. It is, apparently, not quite like that in Scotland. Certainly the Archbishop's project has encountered resistance from many small, community, Credit Unions which were often founded by relatively-well off altruists with the intention of helping the poor. Many boast openly about their high proportion of benevolent capital – not an indicator to be proud of, if the objective is the kind of commercial robustness that actually serves hard pressed communities. So the tension between altruism and commerce has not, so far, been resolved.

I offer this example to illustrate ways in which institutions which are informed by a Christian ethical approach to finance can, in principle, be effective commercial players and alternatives to mainstream financial institutions, and yet may still be held back by a misplaced understanding of altruism. I also offer it in case there are parallels with the proposal for a VSF which, similarly, combines Christian ethics, altruism and a desire to impact morally upon mainstream financial markets and models.

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