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The Poverty of Liberal Economics

Adrian Walker

The poor, Jesus famously said, will always be with us. Jesus' followers have often been accused of misusing these words of their Master as an excuse to ignore the systemic causes of poverty. Christians, the charge runs, have preached private benevolence as a substitute for the more arduous, and more courageous, task of fighting to change the unjust economic structures that are responsible for poverty in the first place. Among the many Christian responses to this oft-heard accusation, two more recent ones are particularly noteworthy. The first, represented by certain schools of Latin American liberation theology, attempts to enlist the Church in a socialist-inspired struggle for a more just society. The principal enemy in the struggle is capitalism, the supposedly exploitative nature of which this stream of liberation theology attacks as the root cause of poverty.

Towards an economics of gift

Rejecting the anti-capitalism of the liberation theologians, exponents of the second response point out socialism's dismal record of economic ruin and repression of individual freedom. This second response, best known through the writings of "neoconservatives" like Michael Novak, is no less concerned with attacking the systemic roots of poverty than is liberation theology. But unlike the liberationists, the neoconservatives insist that the capitalist free market, not the socialist centrally planned economy, holds the key to eradicating poverty without violating individual freedom. Only the free market, the neoconservatives argue, has demonstrated the ability to raise society to unprecedented heights of material prosperity while at the same time creating unprecedented guarantees of, and opportunities for, the expression of individual freedom.

We do not have to look beyond our own shores to see that the neoconservative proposal highlights important truths. Our own welfare system, for instance, has turned out to be a colossal failure. Significantly, a major reason for this failure has been the policy of redistributing the wealth of responsible economic agents without expecting and enabling the beneficiaries of this redistribution to become responsible economic agents in their own right. Such a policy is unfair, not only to those who are already responsible economic agents, but also, and even more so, to those whom the redistributionist ethic, for all its much-touted "compassion," essentially treats as objects of beneficence rather than as (potential) subjects of responsible economic agency themselves. That is, the welfare system has failed because it has not treated the poor as human persons having an innate dignity to be developed and expressed also in the economic sphere.[1]

The neoconservatives are therefore right to insist that a sound economy must give ample scope to the self-expression of human dignity through economic creativity. They are also right to affirm that economic freedom is a sine qua non of such creativity. No less an authority than John Paul II has said so in his social encyclical *Centesimus Annus* (1991). Nevertheless, the neoconservatives go wrong by assuming that what I will call "liberal economics" is the best context for understanding what economic freedom is. By "liberal economics," I mean the theory, going back in all essential respects to Adam Smith, according to which the market alone organizes the economic life of society, not by marshaling the coercive power of the state, but by maximizing individuals' freedom to enter into informed, mutually beneficial contractual exchanges for specific economic purposes decided by "self-interest." Milton Friedman gives eloquent expression to this claim:

> The basic problem of social organization is how to co-ordinate the economic activities of large numbers of people. . . . In advanced societies, the scale on which co-ordination is needed, to take full advantage of the opportunities offered by modern science and technology, is enormously greater. Literally millions of people are involved in providing one another with their daily bread, let alone with their yearly automobiles. The challenge to the believer in liberty is to reconcile this widespread interdependence with individual freedom. Fundamentally, there are only two ways of co-ordinating the economic activities of millions. One is central direction involving the use of coercion—the technique of the army and of the modern totalitarian state. The other is voluntary co-operation of individuals—the technique of the market-place. The possibility of co-ordination through voluntary co-operation rests on the elementary—yet frequently denied—proposition that both parties to an economic transaction benefit from it, *provided the transaction is bi-laterally voluntary and informed*."[2] (emphasis in original)

Now, my purpose in critiquing the liberal notion of what economic historian Karl Polanyi calls the "self-regulating market"[3] is not at all to argue for the imposition of a state-planned economy in its place.[4] Nor is it to deny in any way that free economic exchange is a necessary (albeit not a sufficient) condition of a healthy, workable economy. It is rather to suggest that liberal economics puts forth a bad model of what free economic exchange itself is. This assertion may come as a surprise to some, especially to liberal economists, who are accustomed to seeing themselves as providing an unbiased "scientific" description of how the economy actually works, rather than as dispensing an ideology about human freedom. Yet ideology is just what is at stake here.[5]

We see a central expression of it in the claim—laid out forcefully by Milton Friedman in the passage cited above—that economic freedom consists primarily in the liberty of individuals to enter into mutually beneficial contractual exchanges. This claim, which may appear innocent enough at first, turns out, on closer inspection, to entail that the economic freedom (supposedly) provided by the market is indifferent towards the objective good of the person. But, as I will argue below, a freedom indifferent to the objective good of the person is actually an unfreedom that leads to a coercive social order. That this is so does not mean that we ought to do away with contractual exchange, but rather that, notwithstanding liberalism's insistence to the contrary, contractual exchange cannot be the primary paradigm of economic freedom without *ipso facto* undermining the very economic freedom of which liberalism (wrongly) prides itself on being the sole guarantee among economic systems.[6]

Instead of delivering economic freedom *tout court*, liberal economics delivers a certain, liberal form of economic freedom—one that, as we will see below, is actually an *un*freedom. One of the stratagems by which liberalism conceals this fact is its hallmark claim that the market is neutral, by which it means that it impartially leaves open the question of the objective good of the person in order thereby to allow people with different worldviews to cooperate without first having to harmonize their respective convictions about that good. Notice, however, that this so-called "neutrality" is nothing more than a repackaging of the claim that voluntary contractual exchanges are essentially indifferent towards the objective good of the person, and that such indifferent contractual exchanges constitute the paradigm of economic freedom. Of course, liberal economists would no doubt counter that the market must be "neutral" in this sense in order to protect individual economic actors from coercion by the state. Unfortunately, this reply begs precisely the question that is at issue: is freedom truly best served by an agnosticism about the objective good of the person (masquerading as the impersonal laws of the market)? The answer, I will argue, must be a decisive No.[7]

The claim that the market is neutral with respect to the question of the objective good of the person is nothing more than a cover for liberalism's imposition of a definite, decidedly liberal paradigm of economic freedom. It is important to see, however, that rejection of this paradigm does not necessarily entail an absolute rejection of the idea of the free market. If, in fact, by "free market" we mean simply "free economic exchanges," then we must acknowledge that a free market is both desirable and, indeed, practically necessary. Any economic system, such as that of the former Soviet Union, that tries to orchestrate economic exchanges from the outside using the coercive power of the state is doomed to sin against both the dignity of the human person and the requirements of good economics. It is in this sense, it seems to me, that John Paul II has given his qualified blessing to the notion of the free market in *Centesimus Annus*. The problem, however, is that liberalism means something much different from, and much more dubious than, just "free economic exchange" when it speaks of the "free market." When liberalism uses the words "free market," what it is actually saying is that contractual exchange among self-interested individuals, seen as indifferent in its structure to the objective good of the person, is the primary, if not exclusive, paradigm of economic life. It is this understanding of the free market, not the idea of "free economic exchange," that I will set out to critique. At the same time, I will be arguing that the best, most central paradigm for understanding free economic exchange is not contract among self-interested strangers, but gift-giving among neighbors. Since current market economies are largely liberal, the paradigm shift that I am recommending would entail a profound rethinking of many familiar economic practices and structures that we commonly take for granted. Although this rethinking would call into question many comfortable certainties, it is not necessarily violent or utopian. On the contrary, the gift-giving paradigm can contain all that is of value in the liberal understanding of the market, even while reconfiguring the latter's logic in a profound way within a nonliberal context. This reconfiguration is necessary both to protect human freedom and to secure economic good sense—a double desideratum that liberal economics, if consistently applied, cannot fulfill.

Back to the neoconservatives

Before going on to show why liberal economics cannot fulfill the double desideratum of securing human freedom and putting into practice sound economic rationality, I must deal briefly with a possible objection that it is unfair to the neoconservatives to accuse them of relying too heavily on liberal economics. This objection is a significant one. If, in fact, I am wrong about the neoconservatives, then the necessity of a paradigm shift to an economics of gift will seem less compelling. What, then, of the neoconservatives? Have they, perhaps, worked out a viable rethinking of liberal economics that already does what I want to argue an economics of gift would do?

The first thing that must be said is that, to the extent that they are Christians, the neoconservatives can hardly embrace without qualification liberal economics' insistence on the market's agnosticism about the objective good of the person. Or so it would seem. For instance, Michael Novak—in what follows I will limit myself to Novak, perhaps the most influential spokesman of the neoconservative position—distinguishes sharply between the institution of the market and the liberal ideology that some would bring to it. In Novak's view, the market, as an institution, carries no objectionable ideological baggage, for the simple reason that as an institution it is just a forum for free economic exchange—nothing more, nothing less. At the same time, Novak insists that the institution of the market does not exist in abstraction, but is always embedded in a larger moral-cultural framework that sustains it.[8] Looked at from this point of view, Novak argues, the market is a highly moral enterprise that requires a distinctive ethos—an ethos that can flourish ultimately only in the context of what Novak calls "Judeo-Christianity." Novak even claims, especially in his later writings, that "Judeo-Christianity" not only (uniquely) fosters the capitalist ethos, but actually helped to create it in the first place.[9]

Novak thus appears to limit the scope of the public agnosticism about the objective good of the person that some liberals would claim for the market. He seems to be no advocate of what fellow neoconservative Richard John Neuhaus famously castigated as the contemporary secular establishment's "naked public square." In the end, however, Novak's distinction between liberal institutions—in this case the market—and liberal ideology is just another version of the liberal neutrality claim. When Novak distinguishes the free market from liberal ideology, he trades on the same ambiguity in the term "free market" analyzed above. He is confusing free economic exchange *tout court* with free economic exchange as liberal economics understands the notion. His very distinction between the institution of the market and liberal ideology thus turns out to be a form of liberal ideology itself. By the same token, Novak unfairly awards the liberal paradigm of economic freedom a hegemony that excludes, without argument, any alternative paradigm—such as that of gift-giving among neighbors—that might reasonably challenge the exclusive rights he accords to the liberal one.

The primary paradigm of free economic exchange remains, for Novak as for liberal economics, contractual exchange among self-interested strangers, seen as formally or structurally indifferent with respect to the objective good of the person. It is this that Novak means by the institution of the market. Thus, when he distinguishes the market as an institution from "liberal ideology," he is obscuring the fact that what he means by the market as an institution is already charged with a liberal ideology that favors contractual exchange among self-interested strangers, contractual exchange formally indifferent to the objective good of the person, as the primary paradigm of economic freedom. Obviously, Novak differs from many classical liberals in that he insists that economic freedom, so understood, ought to be tempered by a moral ethos shaped within (ideally) "Judeo-Christian" religious concerns. But what this insistence really amounts to is that Novak thinks that Christians ought to have objections to liberal economics only when and insofar as individual economic agents misuse the economic freedom the market supposedly provides. Novak's solution? Leave intact the liberal understanding of economic freedom and add a moral discipline from the outside. Unfortunately, Novak thereby begs the question of whether or not liberalism's understanding of economic freedom is actually able to receive, without distortion, the requirements of "Judeo-Christian" morality. And this question-begging reflects an even deeper problem with Novak's proposal: his failure to acknowledge sufficiently that the problem with liberal economics is not first and foremost the ethical lapses of individual participants in the (liberal) market but, more fundamentally, the paradigm of economic freedom as essentially involving contractual exchange among self-interested individuals.[10]

Despite Novak's own intentions, then, the logic of his proposal ultimately remains too liberal in too many crucial places to allow the Gospel to enter the economic sphere in its integrity. By the same token, it fails to convince as an argument that the market as Novak understands it is the best vehicle for the Christian mission to address poverty on a social level. Let us understand this failure properly. Novak's argument is unconvincing, not simply because he has not succeeded in giving an adequate account of the free market. No, it is unconvincing chiefly because it assumes that what the "free market" means concretely in the liberal tradition—what it means concretely in current capitalist economies—is essentially unproblematic for Christians, rather than something whose logic needs to be fundamentally rethought in the light of the Gospel and in the direction of an economics of gift. Novak turns the "good news" that Christ came to preach to the poor into a tributary of liberal economics.

Now, Novak's unwitting domestication of the Gospel in the service of the liberal economic ethos does not simply violate the rights of Christianity. When Novak renders the Gospel publicly harmless, he reinforces a logic—a liberal logic—of economic organization that is inhumane and, indeed, ultimately unworkable even on its own terms. Needless to say, an inhumane, dysfunctional economy is not at all the "good news" for the poor that Novak claims democratic capitalism to be. This is because the economy is not the domain of neutral technique, but an extension of basic human community—and because ultimately we cannot understand man apart from Jesus Christ, who alone fully reveals the mystery of man "to himself" (*Gaudium et Spes*, section 22) and so unlocks the deepest meaning of man's worldly activity (including economic activity) precisely as worldly.

The failure of neoconservatism to baptize liberal economics—indeed, its "liberalization" of the Gospel—indirectly confirms my initial thesis that the primary paradigm of economic freedom, if it is to reflect the exigencies of the objective good of the person as this is disclosed in Jesus Christ's revelation of man to himself, cannot be that of contractual exchange among self-interested strangers, but must be that of gift-giving among neighbors—and that only such a paradigm enables us to get to the systemic causes of poverty. Such, at any rate, is the claim of the present essay. Obviously, this claim must reckon with two objections that appear to call into question the very desirability and possibility of an economics of gift: Doesn't such an economics imply the suppression of economic freedom? And isn't it in any case economically impracticable, not to say downright utopian? The essay will then attempt to turn these objections on their head by showing that, strange as it may seem, it is actually liberal economics that, if consistently applied, leads to coercion and economic dysfunction. This argument will give us the key to responding, in the penultimate section of the essay, to the charge that the proposal of an economics of gift is "unrealistic." Finally, the conclusion enumerates two basic conditions for the development of an economics of gift. In this context, I will argue that the "poverty of spirit" of the Gospels—the radicalization of the attitude of grateful receiving that is at the heart of the economics of gift—is the only adequate context for the Christian mission to bring the good news to the poor, and, indeed, for the discovery of the principles of a truly humane, truly practical economy that must be at the heart of that mission.

Liberalism's illiberal order

Much of the excitement that the neoconservatives have generated among Christians is due to their promise to overcome the split between the Gospel and culture that has bedeviled modern Christianity, especially since the Enlightenment. The neoconservatives reassure Christians that the dominant form of modernity, Anglo-American democratic capitalism, while not simply an extension of Christianity, is, or at least can be, consistent with Christianity. In particular, the neoconservatives argue that the market need not, indeed cannot, be the domain of *homo economicus*, the profit-and-loss calculator of liberal ideology, but must be understood as the home of the person whom God has created in his own image. They even go so far as to say that the market is the best expression, in the specifically economic sphere, of the dignity of the human person as revealed by God in Jesus Christ. Unfortunately, this claim cannot stand up under scrutiny. For, as we have seen, what the neoconservatives mean by the "market" is, in essence, what liberalism means by the "market": a structure of contractual exchange indifferent to the objective good of the person. Although this indifference goes under the name of "neutrality" (in the sense of impartiality), it is not really neutral at all, but rather implies, under the guise of "neutrality," that voluntary contractual exchange indifferent to the objective good of the person is the paradigm of economic freedom. Let us now consider how this notion of economic freedom actually replaces the authentic good of the person with an ersatz that is profoundly restrictive of human freedom.

In order to understand this replacement, we first need to have a sense of what the objective good of the person is. In terms of content, the objective good of the person is nothing other than the person himself. Nonetheless, the objective good of the person adds a distinct formality, a special point of view. This special point of view is constituted by the fact that the person is a gift to himself given by a loving Creator.[11] The objective good of the person is identical with the person—as a gift to himself. It is this gift-character that justifies our talking about an objectivity in the person's relation to himself as his own good. Because he is a gift to himself, the person finds inscribed in his being an objective ordination—an ordination to give himself as gift within the movement of God's giving. This ordination spells out the fundamental direction of a person's freedom. It includes his subjectivity, but is not simply reducible to it. It is crucial to see, however, that the irreducible objectivity of the ordination to gift does not thereby diminish freedom, but, on the contrary, makes freedom possible in the first place. If, in fact, there were no objective dimension to his personhood, the person wouldn't be able to transcend himself. This incapacity for transcendence would in turn deprive him of his very subjectivity and therefore of his freedom. True subjectivity, in fact, does not consist in a self-enclosed, private interiority, but in the capacity for communion.[12] It is in communion, as a network of mutual giving and receiving, that the person fulfills his ordination to gift-giving and so lays hold of his freedom as what it is, namely, as gift.[13]

We said just now that liberal economics replaces the objective good of the person with an ersatz that restricts the full amplitude of authentic human freedom. We can now add that this replacement begins when the communion just described gives way to contract among self-interested strangers as the primary instance of (economic) freedom. As liberalism conceives it, the contract is not ordered as such to the objective good of the human person. Of course, liberal economics claims that this non-ordination is not a negation of the good, but simply a mechanism for leaving freedom open to embrace the good. Notice, however, that the contract, while not ordered to the objective good as such, does have a finality of its own: the mutual satisfaction of self-interest in the form of financial gain. Thus, while claiming to leave freedom open to the objective good of the person, liberal economics surreptitiously weights it in the direction of self-interest understood as financial gain. The shift from communion to contract effectively puts financial gain in the place of the objective good of the person as the immanent finality of economic exchange.

Admittedly, some liberal economists claim that the term "self-interest" is simply a catch-all for whatever it is that one values.[14] Notice, however, that, when it comes to market exchange, the decisive criterion for determining whether or not to enter into a given contract is not simply one's "values," but a reasonable expectation of financial profit. This suggests that, for the specifically economic purposes of the market as liberal economics understands it, the finally relevant value-content of any individual's judgment about what is best for himself must be the profit-motive. Thus, while liberalism claims that self-interest means whatever one values or chooses, it really means only one kind of value and choice: a financial gain to which any other value is in the end irrelevant or subordinate.[15]

Even on the most benign reading, then, liberal economics imposes a certain ideal of freedom—an ideal chained to the imperative to seek financial gain above all else. In a word, the inner logic of liberal economics inevitably generates the *homo economicus*, the man unable to act for any motive other than financial gain—at least in the market.[16] But what about the other domains of society? Do they remain untouched? What about my initial claim that liberal economics imposes the unfreedom of economic man on society as a whole?

Well, the *homo economicus* is a voracious creature. Like Dr. Jekyll in Stevenson's famous story, he tends to claim more and more of his host, who thus increasingly thinks of himself spontaneously as a "rational" profit-and-loss calculator even outside the marketplace. Fortunately, the pure *homo economicus* is an impossibility. Living, breathing human beings are always better—usually very much better—than economic man. The neoconservatives, like many liberal economists before them, rely on this ampler, "spontaneous" goodness of human beings to neutralize the market's solvent effect on morality and religion. What the neoconservatives miss, unfortunately, is that the anthropology entailed in the neutrality they claim for the market—an anthropology of *homo economicus*—cannibalizes the sources from which this goodness flows. So long as they remain liberals on the point of the neutrality of the market, the neoconservatives leave society defenseless before the relentless spread of *homo economicus*. Why? Because so-called neutrality really means that a contractual exchange indifferent to the objective good of the person has been enshrined as the paradigm of economic freedom. But if freedom can dispense with the objective good in one domain, then, in principle, it can dispense with it in all domains. Wherever the market is "neutral," there *homo economicus* is busily at work remaking society in his own image.

Because it is designed only for economic man, but does not acknowledge this to be the case, the liberal market is already coercive just by being what it is: an unconfessed preference for an ideal economic actor who can seek nothing other than profit as the highest good. Nevertheless, it does not coerce only in this way. Because liberal economics is saturated by ideology, it is too artificial to triumph and retain its predominance without the support of a powerful institution to throw its weight behind the liberal program. The one institution best fitted for the role is, of course, the modern nation-state, which indeed is itself a facet of the liberal order. The liberal state and liberal economics go hand in hand. What liberal economics means by a "free market," in fact, is a unified, translocal national market, the creation and maintenance of which is impossible without the support of the state.[17] In *The Great Transformation*, Karl Polanyi brilliantly documents this fact in many ways, including via an instructive discussion of the original triumph of the market economy in nineteenth-century England,[18] which, Polanyi shows, was the result of massive state intervention. Once again, then, the neoconservatives are in a sense right: the liberal market is part of a tripartite structure that also includes the state and the culture. The problem, however, is that this threefold framework is ultimately a liberal one, in which the state throws its power behind the expansion of a liberal culture through the market. Ironically, then, the very liberal economists who routinely raise the specter of the centrally planned economy in order to fend off systemic critiques turn out (if we attend to the logic of their position) to be advocating the mobilization of the coercive power of the state behind the creation of a certain type of economy—one in which only a certain type of freedom, which is in reality an unfreedom, can flourish.

The poverty of liberal economics

The upshot of our discussion so far is that liberal economics is an ideologically charged construction of an ideal economy—ideal, that is, for a certain type of freedom that, in the end, could belong only to an unfree *homo economicus*. The task before us now is to show how the same mechanism that leads to unfreedom also leads to economic dysfunction, or to the poverty of liberal economics.

The objective good of the person, we have seen, is nothing other than the person himself, seen as a gift to himself given by a loving Creator. We can now add that this objective good connotes a value or, if you will, a wealth. Affirmed into being by God's generous creative gift, the person has, or rather is, a wealth—not a wealth of external riches, but a wealth that is internal to him just insofar as he is in the first place. Because the person's very being is a wealth, prior to any productive action on his part, we can call it an "ontological wealth." "Ontological," in this context, simply means "pertaining to the being of the person," so that "ontological wealth" means, once again, the inner wealth that characterizes the very being or existence of the person as a gift to himself. Moreover, just as the person lays hold of his objective good as a person within communion, here too he enters into the possession, and enjoyment, of his ontological wealth within a communion consisting in mutual giving and receiving in love. It is only in such a communion that he is able to experience the objective good of his own person as an "ontological" wealth inhering in his own person from its very creation. To possess ontological wealth is to rest in the joy of being that is loved into being by a generous Creator—a resting that can occur only in the context of a communion of love among persons all loved into being at once by their Creator. This restful enjoyment is not opposed to productivity, but distinguishes truly fruitful productivity from the frenetic activity of a culture obsessed with quantifiable results.[19]

If we take this "ontological" understanding of wealth seriously, then we have to say that "poverty," as a chronic condition, does not consist primarily in a lack of material goods, but rather first and foremost in a lack of meaningful participation in just the sort of communion mentioned above. Think of the ghetto dwellers who have plenty of "stuff"—cars, televisions, stereos—but who nonetheless continue to live in squalor. This squalor reflects the lack of meaningful participation in the kind of communion of giving and receiving that alone can unlock for the individual the wealth of his being as a person. But—and this is the core contention of the present section—an economy that privileges self-interested contractual exchange as its primary paradigm of economic activity just so far relegates communion to the margins of the marketplace. Such an economy, in other words, actively undermines the conditions necessary for the realization of the ontological wealth of the person. By the same token, the poverty that occurs in a liberal economy is not simply, or even primarily, a failure to produce on its (instrumentalist) terms. It is, even more fundamentally, a conception of oneself as having to produce on just those terms.

Insofar as liberal economies embody the substitution of communion with contract, they tend to produce ontological poverty. They are generators of a *homo economicus* who is deficient in ontological wealth, of persons who are "ontologically poor." Ironically, this ontological poverty is due to the very thing that appears to make economic man rich: his restless profit-seeking. This restlessness translates, in fact, into an inability to repose in the fullness that characterizes his being as gift. To be sure, economic man's compulsive profit-seeking need not simply be an expression of base greed. Often it reflects an unspoken search for self-justification through work, a search that stems, in turn, from a failure to experience being as gift within communion. Understood in this way, the psychology of economic man turns out to be pervasive in our results-oriented culture.

Lest readers think I am attacking a mere straw man, consider the so-called "stress" that haunts not only businessmen, but also lawyers, doctors, accountants, and even academics—to mention just a few professions—in the United States today. "Stress," of course, is just another name for the uncomfortable anxiety one feels when one is under pressure. Under pressure to do what, though? To produce. So unrelenting is this pressure that many professionals find their lives passing them by as they slave away to meet a never-ending, ever-expanding schedule of production. Here we see how *homo economicus* is increasingly informing the ethos of professions and institutions that, at first sight, seem to have little to do with "business" in the strict sense.[20]

This raises, however, a further question: Even supposing that liberal economics does in fact cause an ontological impoverishment of the human person, what could ontological poverty possibly have to do with the hard facts of economic reality? Don't liberal economies at least work in purely economic terms, regardless of their supposedly deleterious consequences for the human person? Clearly, the answer to this question depends, in large part, on what is meant by "purely economic." In fact, we should not be too quick to concede the economic high ground to liberal economics. We saw above that contractual exchange among self-interested strangers cannot be the primary paradigm of economic freedom without denaturing freedom. We will now see that it cannot be the primary paradigm of economic freedom without denaturing the economy itself.

The first step must be to dispel the illusion of invincibility that liberal economics creates by enfolding itself within the techniques of quantitative analysis. This will require showing that the liberal notion of profit, supposedly perfectly quantitative, is in fact a masked qualitative standard—one, moreover, that can be described as a caricatural reduction of ontological wealth. I will then go on to discuss the disastrous economic consequences that follow from this reduction.

I characterized the possession of ontological wealth just now in terms of the enjoyment of one's existence. It is important to see that this enjoyment is not just another name for what liberal economics means by self-interest. Indeed, the converse is actually the case: what liberal economics means by self-interest is a drastically reduced form of the enjoyment of one's existence that characterizes ontological wealth. To be sure, ontological wealth includes something like an "interest" in ourselves. After all, we can't enjoy our own existence unless we are glad that we exist. What liberal economics misses, however, is that the real self, the only self that actually exists, is one that is always already a gift to itself. It misses the fact that we can be "interested" in ourselves as we ought only by acknowledging to the core of our being that we are gift, which is to say, by letting ourselves be loved into being by God. This recognition, the highest act of freedom, is the core of what I mean by the enjoyment of existence.

Now, the enjoyment of existence in this sense is eminently fruitful: it never exhausts itself in ourselves alone, but always overflows itself, or, better, is caught up in God's self-overflowing, which is why it occurs paradigmatically within communion. This fruitful overflow should be the core of an authentic notion of profit.

Profit, rightly understood, is not primarily a quantitatively measurable gain lying outside the person, but a qualitative enhancement of the enjoyment of his existence as gift. My point, I hasten to add, is not that profit is irrelevant to economic calculation. Nor am I denying that profit has a quantitative dimension. I am simply saying that the qualitative dimension is prior to, and determines the shape and significance of, the quantitative. After all, why would anyone pursue a greater quantity of money unless he thought it were better—from a qualitative point of view—to have more of it? In other words, although liberal economics appears to effect a clean replacement of ontological wealth with a purely quantitative sense of profit, it is actually doing something quite different. The act of privileging the quantitative aspect does not get rid of the primacy of ontological wealth, but simply shifts the burden of ontological wealth onto its quantitative aspects. The result, then, is not really a non-ontological, purely quantitative sense of wealth at all, but rather a reduced form of ontological wealth masquerading as pure quantity.[21]

Ironically, then, liberal economics does not get even the notion of profit right. A profit that is just truncated ontological wealth masquerading as "pure quantity" is not even real profit—and so cannot be an adequate standard for measuring economic value. Consideration of the baleful economic consequences of this inadequacy will help us see how liberalism's ontological impoverishment of the human person is directly tied to an economic dysfunction—to a "poverty of liberal economics" that expresses its ontological poverty in the materiality of economics.

Liberal economics' conception of profit as "purely quantitative" goes hand in hand with what we could call the "growth formula" of liberal economies: sell more more cheaply. After all, if profit is purely quantifiable, and if the units of measurement are dollars, then the most obvious way to increase profit (without gouging the consumer) is just that, to sell more more cheaply. Notice, however, that it is impossible to sell more more cheaply without degrading the quality of the items sold. High quality means expensive production, and expensive production means the practical impossibility of making more to sell more cheaply.[22] Liberal economies thus display a fundamental paradox. On the one hand, the value of, say, an economic enterprise (as expressed, for example, in the price of stock shares) is based on its capacity to make a profit within a specified time frame. On the other hand, this profitability need be only loosely related, if at all, to the quality of the goods or services the enterprise offers. In other words: the basis of the enterprise's profitability is not the objective, qualitative value of what it offers society in terms of goods and services, but the subjective desires of consumers, desires that have to be fanned into flame through advertising. Furthermore, these desires are usually laden with expectations that cannot be fulfilled precisely because so often their object is cheap junk (the result of producers' imperative to sell more more cheaply). Obviously, there are still many firms that operate with a genuine concern for the quality of their products, products that these firms wish to offer as a real service to society. My point is certainly not to make a blanket generalization about entrepreneurs, but rather to identify the logic underlying the way in which liberal economics quantifies profit as a substitute for the fruitfulness of ontological wealth. Relying on its conception of purely quantitative profit as its yardstick, liberal economics systematically mismeasures economic value, focusing on quantifiable pinpoint gains to the exclusion of all other factors relevant to the determination of that value. Value, in liberal economics, is the capacity to make money, regardless of whether or not making money is predicated on *economic* folly in other respects.[23]

To be sure, the quantification of profit, coupled with the imperative to sell more more cheaply, does enable the mass production and consumption of goods and services and, therefore, a certain kind of wealth. Nevertheless, this wealth—the volume of goods and services produced and consumed—is not necessarily a reliable index of economic health because it is imposes a cost whose existence is often ignored, or explained away, but which, in any objective accounting, greatly offsets its actual value: systemic wastefulness. Not only does the fabrication of more cheaper items involve the discarding of great quantities of raw material, but the items that are produced drop out of the cycle of production at the moment of consumption; they cannot (with rare exceptions) be economically recycled. In consequence, producers are obliged to waste resources, sometimes to the point of exhaustion, in order to make more economically non-recyclable items. Take the example of plastics. True, many plastic items are now routinely recycled. Nonetheless, not all plastic items can be recycled, and, in any case, the practice of recycling plastics is a fairly recent one. Vast numbers of plastic products have already dropped irretrievably out of the cycle of production. Is it too much to think that this has put a corresponding pressure on fossil fuel reserves? Without wanting to argue that the loss of millions of tons of plastics to the productive cycle is solely responsible for the problem, can we not at least say that it has contributed significantly to the depletion of oil reserves in the United States (and thus also to the unfortunate dependence of America on certain Middle Eastern countries with whom it has uneasy relations on other fronts, e.g., Iraq)? Of course, it is often argued that the depletion of resources is ultimately illusory; it is always possible, it is said, to find substitute resources, especially since demand shifts with new technological possibilities. Even if this response were true, it misses the point: what I am critiquing is a pattern of productivity—whether or not its consequences are ultimately containable—that is inherently wasteful because it is geared to products that cannot be reintroduced into the productive cycle. An inherently wasteful economy, whatever else it may be, cannot be a healthy economy, especially if the achievements supposed to constitute its health are necessarily built upon the very wastefulness that is a sure symptom, not of health, but of dysfunction.

I am not denying, of course, that liberal economies produce an abundance of cheap goods. My point is rather that this achievement is not a reliable index of economic health. The reason for this unreliability, I am arguing, is that the cheap goods in question are cheap only for the individual consumer at the moment of purchase, not for society as a whole. The very process of creating an abundance of goods that are cheap for individual consumers at the moment of purchase—mass production fueled by the imperative to sell more more cheaply—inevitably causes negative side-effects. Think, for example, of the pollution caused by the (once routine) dumping of toxic chemicals into waterways: the cost of cleanup procedures can run into the multiple millions. Now, someone somewhere—usually the taxpayers—eventually has to shoulder the cost of dealing with such side effects. And the cost is not a metaphorical one, but a real one, calculable in real dollars and cents. Goods whose production involves such costs appear to be "cheap," then, only because these costs are not reflected in what consumers pay for these goods in stores. The question we must ask is whether an economy that buys tiny gains at the cost of net losses can be pronounced sound, if by "sound" we mean "conformable to the exigencies of economic good sense," and not merely "good at increasing the volume of exchanges between producers and consumers," or, what is the same, "good at increasing profits by inducing more people to buy more so-called cheap goods."[24]

If, as the foregoing analysis suggests, the value of the wealth liberal economies generate is significantly offset by the systemic wastefulness upon which this kind of wealth is predicated, then we cannot uncritically accept the ability to produce such wealth as the sole, or even as the primary, index of economic health. To do so is to leave out too much that, in any objective accounting, would have to be considered before we could pronounce an economy healthy. Yet this is just what liberal economics does: it redefines economic health in an abstract, simplistically reductive way that allows it to ignore every criterion of economic health other than the few it deems relevant. This brings us back to the question, don't liberal economies *work* in purely economic terms? Liberal economies can be said to "work" only if we accept their own standards of efficiency. Given the unreliability of these standards, however, we should be very hesitant to concede to liberalism the high ground of economic good sense. If the argument so far has been correct, then we cannot trust liberal economists to judge even economic efficiency properly.

After all, it literally makes no sense, no economic sense, to say that an economy built on the maxim "sell more more cheaply" is a "sound" one just because its massive, systemic wastefulness helps to deliver the pinpoint gains that we have chosen to regard, with the greatest abstractness, as the sole criteria of economic success. The problem with liberal economics, in fact, is not just an ethical failure in the narrow sense, but a failure of economic rationality, of economic man precisely as a "rational" profit-and-loss calculator. Economic man is not only immoral, he is also too stupid to see what is really in his best "interests." And he is both for the same reason: liberal economics' construction of economic freedom as indifferent to the objective good of the person as gift that flourishes in communion. Among contemporary critics of the liberal economy, none has understood and articulated the purely economic folly of that economy's methods of reckoning value with more realism, hard-headed clarity, and eloquence than Wendell Berry, with whose words about the Great Economy, which integrates economic rationality into a stewardship born of the awareness of existence as gift, I would like to conclude the present section:

> [A] human economy cannot prescribe the terms of its own success. In a time when we wish to believe that humans are the sole authors of truth, that truth is relative, and that all value judgments are subjective, it is hard to say that a human economy can be wrong, and yet we have good, sound, practical reasons for saying so. It is indeed possible for a human economy to be wrong—not relatively

> wrong, in the sense of being "out of adjustment," or unfair according to some definition of fairness—but wrong absolutely and according to practical measures. Of course, if we see the human economy as the *only* economy, we will see its errors as political failures, and we will continue to talk about "recovery." It is only when we think of the little human economy in relation to the Great Economy that we begin to understand our errors for what they are and to see the qualitative meanings of our quantitative measures. If we see the industrial economy in terms of the Great Economy, then we begin to see industrial wastes and losses, not as "trade-offs" or "necessary risks" but as costs that, like all costs, are chargeable to somebody, sometime.[25]

Unrealism?

The present essay has argued that Christians should be wary of accepting liberal economics as a vehicle for evangelizing or assisting the poor. Defenders of liberal economics such as Michael Novak would no doubt retort that I have exaggerated the incompatibility between Christianity and the liberal economic tradition. Surely, such defenders will say, we can detach the institution of the market from the ideology of "economic man"? I acknowledge, of course, that there is no such thing as *homo economicus* in the pure sense. No one individual person is, or could be, what *homo economicus* is supposed to be, and most individuals are in fact much better than economic man. The point I am making is simply that liberal economics, by installing contractual exchange indifferent to the objective good of the person as the paradigmatic instance of economic freedom (and all this under the guise of "neutrality"), in effect designs the economy for economic man. To repeat: pure *homo economicus* is an impossibility in the real world. This does not mean, however, that liberal economies are unproblematic, but rather just the opposite. Such economies are built to embody an unworkable anthropology that leads to dysfunction even and also in the practical order.

In a certain sense, the neoconservatives make just this point: a liberal economy, they say, depends on a goodness that it does not itself generate. What they miss, however, is that the liberal economy, though it does indeed rely on this "spontaneous" goodness, has no right to do so, since its inner logic tends to poison the sources from which this goodness comes. Indeed, they fail to see that their distinction between institution and ideology turns the market by its inner logic into a habitat for *homo economicus*. Because they do not deeply enough challenge the principles of the liberal order, the neoconservatives can do no more than try to prevent economic man from absorbing the entirety of social life. They are held back from such a radical challenge out of their fear, understandable from a certain point of view, of yoking the economy to the ruinous control of central planners. But if liberal economics guarantees neither real freedom nor real prosperity, might it not be time to begin, at last, the laborious but necessary task of developing an economics of gift that duly recognizes and respects the primacy of ontological wealth?

If, as I have suggested, liberal economics cannot be trusted to tell us what economic health really is, then what reason can there be, besides obstinate attachment to the status quo, to leave our prevailing economic commitments unexamined? Might it not be time to reconsider, among other things, the primacy we have accorded the well-being of the global market over the well-being of local economies? The local economy is, after all, more obviously an extension of the local community held together by the bonds of neighborliness. Needless to say, whatever changes in policy and practice such a reprioritization would involve would have to be accompanied by a great deal of prudence and intelligence operating within a profound awareness of, and respect for, the dignity of persons, the weight of history, and the limits of human nature.

Even with such qualifiers in place, my critique of liberal economics is bound to draw the charge that it is unrealistic. There is no practicable alternative to the present system, it will be said, and any radical challenge to it reflects a utopianism that blithely ignores the hard practicalities of economic reality. Let us be frank: the charge of "unrealism" is often a thinly veiled unwillingness or inability to imagine an economy driven by a set of priorities other than the one already in place. I am not advocating that the government take over the production and distribution of goods and services. But today the specter of a centrally planned economy is a red herring. Not only does the liberal economy have a symbiotic relationship with the state; it also unduly favors the concentration of economic power in big corporations (who else can maintain economies of scale?) that, allied with technology, have a massively disproportionate influence on many aspects of daily life, from the average citizen's access to the news to the scientist's research in his university laboratory. What I am arguing for is precisely that we turn our efforts towards a decentralization of economic power in favor of the locality, the scale of which allows for genuine political deliberation about the most efficient use of resources without the coercion involved in central planning. Of course there must still be a national and international market, but these higher levels must be structured so that the input of subsidiary political units, for example the city, are allowed to protect the individual from the encroachments of big government, big business, and, for that matter, big media. The objective good of the human person requires the sort of economic arrangements that protect genuine contributions to social order "from below" in a way that, we now see, liberal economics cannot. To foreclose debate about such an alternative by dismissing it *a priori* as a pipedream says more about one's attachment to the ultimately illiberal priorities that shape the economy today than about the actual realities of economic life.

The currently dominant set of economic priorities is characterized by the alliance of the profit-motive and technology in the form of economies of scale. This alliance has resulted in the market dominance of easily packageable, easily transportable items that can be accumulated in points of sale and need have no organic connection with the places where they happen to be located. The result is an economy of the shopping mall and of the rest-stop Burger King. It is important to stress that this economy of the shopping mall and the rest-stop Burger King is not objectionable only because it is ugly. Its ugliness is the index of a systemic inefficiency that can be criticized on strictly economic grounds. The root of this inefficiency lies in the kind of ideal economic actor that the alliance between the profit-motive and technology presupposes: *homo economicus* in the guise of the technician. It is the technician who drives the expansion of the present economy, and the technician is one who restlessly seeks to invent processes that deliver a single result quickly and conveniently. But if we assume that efficiency consists in the ability to obtain the greatest possible benefit with the least possible outlay of time, energy, and resources, then the technician's efficiency turns out to be economical only in a highly abstract sense: it may achieve the one desired result quickly and conveniently, but in order to do so it has to ignore the very real costs that are entailed by the very "efficiency" that the technician prizes.

It would, then, be question-begging and highly misleading to dismiss systemic critiques of liberal economics on the grounds that liberal economics "works"—on the grounds, that is, that there is no practical alternative to liberal economics. To the extent that modern Western economies have in fact "worked" and continue to "work," they have not done so for the reasons claimed by liberal economics, but rather because they unconfessedly rely on an integration of economic activity with a fuller sense of person and community that liberal economic theory nonetheless logically undermines. This suggests both the need for, and the possibility of, an alternative account of economic activity that conceives it from the beginning as a direct, albeit specifically differentiated, participation in the pursuit of the objective good of the person, rather than as simply juxtaposed to, and externally influenced by, that good. This account would retain values such as limited government, constitutionally safeguarded freedom of conscience, and the market, but would interpret those values from within a nonliberal framework in the conviction that their liberal interpretation, far from being their only safeguard, actually undermines them.

Finally, let me observe that the proposal of an economics of gift does not entail a maximalism that would require nothing short of perfection from economic actors. It would indeed be utopian in the extreme to imagine that we could create an economic system that would automatically ensure virtue. Any realistic economy must take account of the fallen human propensity to selfishness. Precisely because the objective good of the person includes his subjectivity, it implies full recognition of freedom, even of the freedom to make mistakes, which any prudent legislator must take account of. On the other hand, we must not forget that communion remains the deepest truth of freedom, not only as a yet-to-be-attained ideal *for* freedom (it is that too, of course), but also as the reality *of* freedom, even in the midst of its fallen condition. To talk of an economics of gift, then, is not to indulge in a utopian maximalism, but to tell the truth about man. The question then becomes whether or not freedom flourishes best when this truth is acknowledged or when, as in the case of liberalism, it is effectively replaced by an account of freedom that diminishes and restricts it.

Conclusion: Poverty is not a problem

The burden of the present essay has been that liberal economics, even in its most benign ("neoconservative") form, is inadequate to the Church's task of evangelizing the poor and addressing the systemic cause of poverty. I have also argued for the necessity of developing an alternative economics of gift that can assimilate whatever might be of value in the liberal paradigm without taking over its governing assumptions. Needless to say, it exceeds the scope of the present essay to detail a fully developed economics of gift. Let me conclude, instead, by suggesting two fundamental conditions that any proposal of an economics of gift would have to meet. This will enable us, in synthesis, to capture what is distinctive about such an economics in its approach to the "problem" of poverty.

The first condition is that we understand the task of working out an economics of gift as a primarily theological task, not merely as an exercise in conventional economics. It is not that economics doesn't matter, but rather that conventional economics, deeply shaped by the liberal tradition, gets economics itself wrong by separating it from theological considerations. The historical development of economics as a science occurred in the shadow of the split between Christian life and worldly life. The neutrality liberalism claims for the market is, in fact, a kind of codification of this split, the essence of which is that the goal of worldly activity—in this case, economic activity—is not a form of relation to God, which can only be added to that goal from the outside. This notion is not entirely false, of course. The goal of economic activity does have a certain independence, a "legitimate autonomy," to use the terminology of the Second Vatican Council (*Gaudium et Spes*, section 36). What liberalism misses, however, is that the market's legitimate autonomy, like that of everything else in creation, is itself constituted by relation to God, not in separation from him. The neoconservatives' acceptance of the idea that there can be a neutral, independent liberal economic rationality is thus insufficient. What the neoconservatives overlook is the need for a new model of economic reason. Indeed, the only hope for a sound, humane economy is a new anthropological ideal that takes into full account the gift-character of existence as this is fully disclosed in Jesus Christ, who, in the words of *Gaudium et Spes* (section 22) reveals man to himself. Only such an economic actor, in fact, can properly understand the goal of an economy and how to achieve it, because only he consistently sees that goal, and the means leading up to it, as a specific form of relation to the God, indeed, to the incarnate *Logos*, in whom all things, even the most "worldly," hold together and make sense.

The second *sine qua non* of the new economics of gift is one that the failure of liberalism to deliver on its promises makes so necessary: in order to re-think the economy from the position of the ideal economic actor at the center of this new economics, we must become him ourselves. We need to be transformed into the new paradigm of economic rationality as part of the dynamic of an ongoing conversion to Christ through "renewal of the mind" (Rom 12:2). But we cannot undergo this transformation unless we allow our economic rationality to be formed in a lived experience of Jesus' first Beatitude, "blessed are the poor in spirit." Poverty of spirit, in fact, is the core of the new economics of gift. It is nothing other than the radicalization the Gospel brings to the reception of the gift of being within communion, a reception that is rooted in the very creaturely constitution of the person.

This suggestion may unsettle some who, on account of the split between Christianity and culture mentioned above, are accustomed to understanding poverty of spirit (along with the rest of the Beatitudes) simply as a mode of world-denying asceticism. In reality, poverty of spirit does not remove us from the heart of the world, but plunges us into it so that from there we can become open to what is beyond this world. Poverty of spirit can thus accompany and inform our thinking about, and practical engagement with, the ever-changing realities of economic life. It accompanies us, however, not in a merely general way, but in a specific way directly pertinent to the economy. Poverty of spirit is the opposite of the restless activism of the workaholic. It is characterized by the playfulness born of an awareness that not everything depends on me—an awareness that, paradoxically, allows me to act as if everything did depend on me, albeit now in a spirit of playfulness. But this playfulness is the enjoyment of existence as gift that, as I argued above, is the key to ontological wealth. Poverty of spirit, then, is itself the exercise of ontological wealth. To be poor in spirit is to be ontologically rich, because ontological wealth is nothing other than the fruitful act of letting oneself be loved into existence as the gift of God within communion, the act of being dispossessed in order to be given back to oneself as (infinitely) more than one could be on one's own.

It is crucial to see that poverty of spirit is not a sort of pious addition to the economic sense of wealth; it is the main ingredient in the economic sense of wealth itself. This claim becomes clearer when we consider that economic efficiency is best understood in terms of the craftsman rather than of the technician. The craftsman is no less technically competent than the technician, just as he is no less concerned with practical efficiency than is the technician. What distinguishes the craftsman from the technician is rather the craftsman's openness to experiencing his work as a form of participation in "ontological wealth." This openness to ontological wealth is not, however, an optional extra, a moral icing on the cake. Ontological wealth is what enables the craftsman to achieve a better economic efficiency than the technician—and so to generate a real economic wealth that is not predicated on the concealment of the economic disvalue tied up with the technician's brand of "efficiency."

Ontological wealth is what allows the craftsman to avoid the technician's penchant for identifying efficiency with abstract, pinpoint gains while excluding from his calculations the real economic costs of such an abstract sense of efficiency. Now, because of his participation in ontological wealth, the craftsman is also (potentially) one of the "poor in spirit" whom Jesus praises in the Gospels. This gives us the key to the affirmation suggested above: poverty of spirit, far from being a kind of supererogatory adornment, is the ethos of economic rationality, whose presence or absence makes all the difference between economic sanity and economic folly. Conversely, any purported "solution" to the "problem" of material poverty that, like liberal economics, overlooks the poverty of spirit of which Christ speaks will not only put in its place a reductive anthropology—the anthropology of the technician—that not only blocks a real solution to the problem of material poverty, but actually tends to deepen it through the promotion of a systemic inefficiency woefully inadequate to the true practicalities of the economic sphere in the real world. To be poor in spirit is to overcome the divorce between practical rationality, ethos, and religion that, masquerading as "neutrality," is the source of our economic dysfunction. As Wendell Berry writes:

> If we credit the Bible's description of the relationship between Creator and Creation, then we cannot deny the spiritual importance of our economic life. Then we must see how religious issues lead to issues of economy and how issues of economy lead to issues of art. By "art" I mean all the ways in which humans make the things they need. If we understand that no artist—no maker—can work except by reworking the works of Creation, then we see that by our work we reveal what we think of the works of God. How we take our lives from this world, how we work, what work we do, how well we use the materials we use, and what we do with them after we have used them—all these are questions of the highest and gravest religious significance. In answering them, we practice, or do not practice, our religion.[26]

In a certain sense, then, the liberation theologians are right. The task of Christians is to foment revolution. Only the "revolution" they must work for is not a violent attack on existing institutions from the outside, but a revolution of meaning that allows them to be changed—organically, patiently, and with full respect for the dignity of persons—from the inside. In pursuing this revolution of meaning, Christians must use the spaces of freedom left within the current system (left in spite of its founding principles) to show, in their own being, acting, and thinking, that the radical following of Christ is the "light of the world" whose rays extend even to the practicalities of economic life. Part of Christian responsibility, then, is to re-think the founding presuppositions of liberal economics in light of the primacy of ontological wealth as reception of the gift of existence, which is to say, in light of "poverty of spirit" as the key to the meaning even of economic wealth.

Poverty is not a problem. Or to be more specific, we cannot hope to solve the problem of poverty until we learn to stop looking at it as a problem to be solved with the techniques of liberal economic rationality. Liberal economic rationality does not work. And it does not work because it is not formed in Christ's poverty of spirit. Conversely, if poverty in liberal societies is a problem of meaning, or rather of meaninglessness, rooted in liberal economics' own failure to allow poverty of spirit to shape the heart of economic rationality, then the only workable approach to poverty, even so-called "material poverty," is to become "poor in spirit" ourselves—and in that poverty to re-think, with intelligence renewed by Christ, the meaning of wealth and poverty in the light of human destiny. "The West has decided that Christianity is calling us to fight against poverty, or to replace it with relative riches, or at least economic equality, etc.," wrote Alexander Schmemann. "The Christian appeal is quite different: poverty as freedom, poverty as a sign that the heart has accepted the impossible (hence tragic) call to the Kingdom of God. I don't know. It's so difficult to express it, but I clearly feel that here is a different perception of life, and the bourgeois state (religious, theological, spiritual, pious, culture, etc.) is blind to something essential in Christianity."[27]