

The Protective Response of Faith-Based Institutions

Kurt J. Keiser

Karl Polanyi wrote of the “double movement”, the protective response of society as a result of the socially destructive effects of the self-regulating market system (Polanyi, 1957). Polanyi emphasized the primacy of society and the embedded nature of the economy within society. He identified trade unions and other voluntary associations, as well as direct government intervention, as playing a major role in the protective response against the dis-embedded economy. Ironically, even the modern corporation, the central economic institution of modern capitalism, is viewed as part of this protective push-back (Polanyi, 1957; Stanfield, 1986, 1989). Polanyi ultimately advocated democratic socialism as the cure for the dis-embedded economy.

Polanyi and other anthropological economists are remiss in neglecting the momentous role of faith-based institutions in unifying society and “re-embedding” the economy. Faith-based institutions are properly viewed as complementary - not antithetical - to modern capitalism. The Christian tradition, in particular, is sympathetically aligned with the moral and philosophical underpinnings of democratic capitalism (Elzinga, 2009; Finn, 2007; Monsma, 2007). The purpose of this paper is to explore the modification of Polanyi’s double movement to encompass the role of faith-based institutions as society’s preeminent ameliorative or protective institutions.

In his recent apostolic exhortation, *Evangelii Gaudium* (2013), Pope Francis candidly notes he is not an expert on political, social, and economic issues:

It is not the task of the Pope to offer a detailed and complete analysis of contemporary reality . . . In this Exhortation I claim only to consider briefly, and from a pastoral perspective, certain factors which can restrain or weaken the impulse of missionary renewal in the Church, either because they threaten the life and dignity of God’s people or because they affect those who are directly involved in the Church’s institutions and in her work of evangelization (Pope Francis, 2013, p. 43).

Yet his statements about certain aspects of the free market system stirred considerable controversy in the United States and Latin America raising the pointed question: Is the Pope opposed to the free market system? Pointing to a “throw away” culture and the plight of the marginalized, Pope Francis notes,

In this context, some people continue to defend trickle-down theories which assume that economic growth, encouraged by a free market, will

inevitably succeed in bringing about greater justice and inclusiveness in the world. This opinion, which has never been confirmed by the facts, expresses a crude and naïve trust in the goodness of those wielding economic power and in the sacralized workings of the prevailing economic system. Meanwhile, the excluded are still waiting (Pope Francis, 2013, p. 46).

Recent media reports suggest such statements resonate well with the world's 1.5 billion Catholics, with Pope Francis enjoying an unprecedented level of public approval as “arguably the most well-regarded religious figure among the American public today” (Burke, 2013, para. 3).

Despite the sensational tenor of such provocative statements and the Pope's temporal “rock star” popularity, those that have followed his career path over the years point to a longstanding pattern of concern for society's downtrodden and marginalized. As one observer notes, this is undoubtedly rooted in Pope Francis' adherence to Catholic Social Doctrine, in a historical sense, and secondarily to his belonging to the Latin American world (Bermudez, 2013, para. 2). Pope Francis prefaces his statements about economic injustice in *Evangelii Gaudium* by noting, “I prefer a Church which is bruised, hurting and dirty because it has been out on the streets, rather than a Church which is unhealthy from being confined and from clinging to its own security” (Pope Francis, 2013, p. 41). He also poignantly notes that “just as the commandment ‘Thou shalt not kill’ sets a clear limit in order to safeguard the value of human life, today we also have to say ‘thou shalt not’ to an economy of exclusion and inequality. Such an economy kills” (Pope Francis, 2013, p. 45).

Pope Francis' “out on the streets” metaphor and the Church's benevolent “protective response” to lethal economies draw upon a long and rich history of service to those in poverty and other disadvantaged situations. According to Degeneffe (2003), service to the disadvantaged is perhaps *the* distinguishing hallmark of Catholicism (Degeneffe, 2003, p. 376). Degeneffe (2003) identifies Catholic Charities USA as the contemporary embodiment of the Church's ongoing “institutional” evolution as an NGO social welfare provider.

Lethal Economies and Polanyi's Protective Response

Social science thinkers and historians have long held the belief that economic behavior was heavily embedded in social relations in premarket economies. This view perceives the market economy as evolving into a separate and differentiated sphere in modern society with economic transactions being defined by rational calculations and the pursuit of individual gain rather than traditional social or kinship commitments. The embedded economy concept is associated primarily with the substantivist school of anthropology, particularly the works of Karl Polanyi, and the related concept of the “moral economy” (Barber, 1995; Granovetter, 1985). In *The Great Transformation*, Polanyi (1957) describes the transition from an embedded economy to

one based on market self-regulation as a gradual process beginning with the commoditization of land and money and culminating with the commoditization of labor. He notes,

Labor is only another name for a human activity which goes with life itself, which in turn is not produced for sale but for entirely different reasons, nor can that activity be detached from the rest of life, be stored or mobilized; land is only another name for nature, which is not produced by man; actual money, finally, is merely a token of purchasing power which, as a rule, is not produced at all, but comes into being through the mechanism of banking or state finance (Polanyi, 1957, pp. 75-76).

But these elements, contends Polanyi, by their very nature as described above, can never be genuinely commoditized and attempts to do so have devastating consequences. Under such conditions, humans face the constant prospect of unemployment, starvation, and a host of other physical ills, but they are also threatened socially and psychologically. He continues: “Robbed of the protective covering of cultural institutions, human beings would perish from the effects of social exposure; they would die as the victims of acute social dislocation through vice, perversion, crime, and starvation (Polanyi, 1957, p. 81).

Polanyi’s notion of the dis-embedded economy implicates the study of economics itself. Broadly speaking, his magnum opus, *The Great Transformation*, is said to have been motivated by two key factors: one concerned with economics methodology and the other with the breakdown of the international political-economic system and the rise of the welfare state in the early twentieth century, i.e., “the great transformation”. Polanyi objects to the formalism of mainstream economic thought; formalism in this sense emphasizes the economizing or maximizing connotation of the term “economic”. In Polanyi’s view, this rigid formalism tends to universalize the historically specific culture of market capitalism. This narrowness of scope, in turn, taints mainstream formalism with ideological and ethnocentric overtones. Summarizing Polanyi’s negative assessment of formalism, Ron Stanfield observes,

This approach is to a considerable extent inaccurate on its own turf: although industrialized economies share common traits of concern for rationality, efficiency, stability, and growth, they also display important differences due to their cultural heritage. The neglect of the historical dimension and the cultural totality of human behavior is a recognized limitation of the formal, organizational approach (Stanfield, 1989, p. 270).

Polanyi frequently invoked two meanings of the term “economic”, one suggestive of mainstream thought and its fixation on calculative behavior and the rationality postulate, and the other on the substantive connotation of economic as material. This latter meaning embraces the necessity that humankind, in order to obtain its living, must interact with the rest of nature, including the cultural and social milieus in which it exists. Stanfield continues,

The economic system, or the economic function of social activity, is therefore a more or less systematic and orderly pattern of social behavior that functions to provision the material wherewithal necessary to support social and individual life . . . Polanyi used this conception of the economy to counter the economistic conception, or, better, the ‘economistic fallacy’ of identifying the anthropologically generic term, economic system, with the features that characterized its market form (Stanfield, 1980, p. 597).

As to the breakdown of the political-economic system: “The exposure of human beings, nature, and economic organizations to the vagaries of the competitive market created spontaneous collective action to protect society from the debilitating consequences of market idolatry” (Stanfield, 1980, p. 606). And commenting on the institutional upheaval of globalization and the Industrial Age, Polanyi hones in on the double movement and the “spontaneous” protective response:

Human society would have been annihilated but for protective countermoves which blunted the action of the self-destructive mechanism. Social history in the nineteenth century was thus the result of a double movement . . . While on the one hand markets spread all over the face of the globe . . . on the other hand a network of measures and policies arose to check the action of the market relative to labor, land, and money . . . Society protected itself against the perils inherent in a self-regulating market system (Polanyi, 1957, p. 76).

The economic school of thought known as Old or Original Institutional Economics has been heavily influenced by Polanyi’s work. Those thinkers so influenced (Walter C. Neale, Allan Sievers, Ron Stanfield, and others) have asked new questions and extended Polanyi’s framework. They do not necessarily subscribe directly to Thorstein Veblen’s famous ceremonial-institutional dichotomy, a hallmark of original institutionalism, even though the dichotomy is consistent with their thought. “But the Polanyi group does explain many of the institutions of society as protective responses against the socially destructive effects of the market. Institutions are not simply passive and past-binding; they may also be protective and socially ameliorative” (Dugger, 1995, p. 1015). In a trailblazing article, Gerald Brock (2002) melded the foundational concepts and tools of institutional economics to Christian interpretations of economic phenomena. Invoking the “economistic fallacy”, Brock strikingly notes, “Many (but certainly not all) members of the Association of Christian Economists believe that the assumptions of mainstream economics are inconsistent with Christian doctrine and have advocated major changes to the formulation of economic theory” (Brock, 2002, p. 9). Several critical assessments have pointed to the incomplete or simplistic nature of Polanyi’s dis-embedded economy and his related concepts of the double movement and the protective

response (Akturk, 2006; Barber, 1995; Block, 2003; Lacher 1999; Maertens, 2008); an examination of these critiques is beyond the scope of this brief study.

Christian Protective Response: Rerum Novarum?

Fitzgerald (2011) eloquently chronicles the historical development of religious traditionalism and its social welfare implications. She defines religious traditionalism as follows:

I define religious traditionalism as a normative theoretical approach that invites religious perspectives into the public square, particularly religious perspectives that are perceived to be rooted in well-established historical traditions. Of course, the construct of tradition is open to interpretation, but advocates of religious traditionalism nevertheless believe that their interpretation is legitimated by historically instituted practices and by sacred texts that have been authoritatively interpreted and reinterpreted throughout the ages (Fitzgerald, 2011, p. 268).

Fitzgerald identifies three dominant traditions as having “contributed significant to shaping faith-based social welfare interventions” (Fitzgerald, 2011, p. 268): 1) the Burkean perspective; 2) Catholic social thought; and 3) the Social Gospel movement. Invoking the historically-based definition of religious traditionalism above, Fitzgerald casts a sharply critical eye on more contemporary traditions, specifically those of Marvin Olasky and John DiIulio, largely dismissing them as being driven predominantly by faddishness and ideology.

Throughout the long history of Christendom, scholars have used Biblical principles to formulate a theoretical framework for religious traditionalism and for a religiously-based approach to social welfare. With Biblical principles as guide posts, both secular and religious scholars have applied these principles in social, political, economic, and cultural contexts to construct the theory of religious traditionalism. Fitzgerald observes: “From the founding of the early Christian church, thinkers have striven to use Biblical principles to critique the social order *and to promote a distinct conception of social welfare*” (Fitzgerald, 2011, p. 271, italics added). At the turn of the fifth century, St. Augustine critiqued decadent behavior and called for personal responsibility. Centuries later, both St. Francis of Assisi and St. Thomas Aquinas left their distinct legacies on Church thought by articulating an individual’s relationship to God and the surrounding social institutions. In the seventeenth century, St. Vincent de Paul created charities for the poor and the infirm, and he is now recognized as the patron saint of all charitable societies. The obvious theme binding these thinkers together is the grounding of their visions of social welfare in religious teachings and beliefs. The Age of Enlightenment suggested that reason – rather than faith – could provide the basis for social order and facilitate humankind’s understanding of the meaning and purpose of life. The French Revolution ushered in the age of the state as society’s preeminent social institution while the influence of Christendom appeared

to be on the wane. The birth of the Industrial Age and the ascendancy of market capitalism and globalization, the same institutional milieu which transfixed Karl Polanyi, gave rise to “the social question”, i.e., how to deal with the social problems that emerged in response to industrialization and modernization. As Fitzgerald notes: “Christian social thinking, however, survived these threats to its existence and its reputability, and it persisted in informing an approach to social welfare. The writings of secular Enlightenment thinker Edmund Burke, the papal encyclicals of Popes Leo XIII and Pius XI, and Social Gospel appeals constructed the coherent framework of modern religious traditionalism from the 18th to the 20th centuries” (Fitzgerald, 2011, p. 272). The Social Gospel movement reflected the imprint of institutional economics given that Richard T. Ely, a notable “Wisconsin School” institutionalist, was one of its key leaders (Gonce, 1996, p. 643). This movement “– the religious wing of the Progressive movement – may be seen as an attempt to synthesize Christianity and modernity” (Harnish, 2011, p. 94). But how the different Christian traditions addressed “the social question” revealed sharply divergent views on the role of government versus, to use modern parlance, private NGO solutions to social problems.

Written during the economically tumultuous 1890s as Western civilization lurched from the “horse-and-buggy” to the modern age, Pope Leo’s encyclical, *Rerum Novarum* (1891) first and foremost emphasizes a strong moral message: that well-intended social interventions will falter without the restoration and preservation of a moral order (Darring, n.d., para. 7; Pope Leo XIII, 1891, para. 57). This marks the departure point between Catholic and non-Catholic approaches to the social question. As Harnish observes: “It is no coincidence that Addams and other Social Gospel advocates put a tremendous amount of faith in the powers of a “scientific” government fat on facts, figures, and statistics, the culmination of which would be the emergence of a truly just, democratic, and equal society (Harnish, 2011, p. 95). This outcome would in essence be the arrival of the Kingdom of Heaven on Earth. In contrast, Pope Leo cautions against the state assumption of welfare, which he perceives as being inferior to Christian charity: “But no human expedients will ever make up for the devotedness and self sacrifice of Christian charity. Charity, as a virtue, pertains to the Church; for virtue it is not, unless it is drawn from the Most Sacred Heart of Jesus Christ; and whosoever turns his back on the Church cannot be near to Christ” (Pope Leo XIII, 1891, para. 30). This encyclical was so influential in Catholic social thought that it warranted a sequel, *Quadragesimo Anno* (1931), by Pope Pius XI, “which affirms and defends the principles of *Rerum Novarum*” (Fitzgerald, 2011, p. 278).

Other striking points of “Rights and Duties of Capital and Labor”, as explicated by Pope Leo, may be summarized as follows:

1. Working people have become “isolated and helpless” as a result of industrialization and the modern marginalization of the Church. Economic power is “concentrated in the hands of comparatively few; so that a small number of very rich men have been able to lay upon the teeming masses of the laboring poor a yoke little better than that of slavery” (Pope Leo XIII, 1891, para. 3).
2. Socialist redistribution schemes to alleviate economic hardship are unworkable because “the working man himself would be the first to suffer. They are, moreover, emphatically unjust, for

they would rob the lawful possessor, distort the functions of State, and create utter confusion in the community” (Pope Leo XIII, 1891, para. 4).

3. Christian charity is preferred over government intervention, but “if a family finds itself in exceeding distress, utterly deprived of counsel and friends, and without any prospect of extricating itself, it is right that extreme necessity be met by public aid, since each family is a part of the commonwealth” (Pope Leo XIII, 1891, para. 14).

4. Under God’s providence and nature’s bounty, humankind should be self-reliant: “There is no need to bring in the State. Man precedes the State, and possesses, prior to the formation of any State, the right of providing for the substance of his body” (Pope Leo XIII, 1891, para. 7).

5. Social groups and classes should strive for mutual agreement: “First of all, there is no intermediary more powerful than religion (whereof the Church is the interpreter and guardian) in drawing the rich and the working class together, by reminding each of its duties to the other, and especially of the obligations of justice” (Pope Leo XIII, 1891, para. 19).

The social welfare implications of Pope Leo’s *Rerum Novarum* (1891) display a strong congruence with Polanyi’s concepts of the embedded economy and the protective response. Existing traditional and past-binding institutions can definitely play an important role in the protective response process. “Protective” does not necessarily imply that progressive institutions of the modern welfare state are the sole saviors of social order. Clearly Polanyi’s “fictitious commodities” of land, labor, and money - those that can never be genuinely commoditized without causing severe economic and social disruptions - need not be “socialized” in the modern political sense. *Rerum Novarum* also demonstrates that protective responses need not be mandated or actuated by the state and exemplifies Polanyi’s observation that “a network of measures and policies arose to check the action of the market relative to labor, land, and money” (Polanyi, 1957, p. 76).

Further Research and Extensions

1. Explore the moral ecology of markets discussion in *Faith and Economics* and probe relationships to Polanyi’s work (See Elzinga, 2002; Elzinga and Givens, 2009; Finn, 2007; Lunn, 2002, 2011; Migone, 2011; Monsma, 2007; Waterman, 2008, to mention only a few articles).

2. Explore connections between papal encyclicals, Catholic social thought, and Polanyi’s work (See Hittinger, 2011; Pope Benedict XVI, 2009).

3. Examine Catholic Charities USA as an exemplar FBO in providing social welfare services (See Degeneffe, 2003). Examine the impact of the Great Recession on Catholic Charities USA. Study possible changes in policy and practices of CCUSA in light of Pope Francis’ free market admonitions as expressed in *Evangelii Gaudium*.

References

- Akturk, Sener. "Between Aristotle and the Welfare State: The Establishment, Enforcement, and Transformation of the Moral Economy in Karl Polanyi's *The Great Transformation*." *Theoria: A Journal of Social and Political Economy*. Issue 109. April, 2006. 100-122.
- Barber, Bernard. "All Economies are 'Embedded': The Career of a Concept, and Beyond." *Social Research*. Vol. 62, No. 2. Summer, 1995. 387-414.
- Bermudez, Alejandro. (Dec. 18, 2013). *Papal Economics 101: What Francis Meant in 'Evangelii Gaudium'*. Retrieved from <http://www.ncregister.com/daily-news/papal-economics-101-what-francis-meant-in-evangelii-gaudium/#ixzz2o33tEb2H>
- Block, Fred. "Karl Polanyi and the writing of the *Great Transformation*". *Theory and Society*. Vol. 32, No. 3. June, 2003. 275-306.
- Brock, Gerald W. "The New Institutional Economics." *Faith and Economics*. Vol. 39. Spring 2002. 1-13.
- Burke, Daniel. (Dec. 24, 2013). *CNN Pole: Pope's approval rating sky-high*. Retrieved from http://religion.blogs.cnn.com/2013/12/24/cnn-poll-popes-approval-rating-sky-high/?hpt=hp_t2
- Darring, Gerald. (No Date Provided). "Leo XIII: Rerum Novarum." Retrieved from http://www.shc.edu/theolibrary/resources/summary_rerum.htm
- Degeneffe, Charles Edmund. "What is Catholic about Catholic Charities?" *Social Work*. Vol. 48, No. 3. July, 2003. 374-83.
- Dugger, William. "Veblenian institutionalism: the changing concepts of inquiry." *Journal of Economic Issues*. Vol. 29, No. 4. Dec., 1995. 1013-1027.
- Elzinga, Kenneth G. "Markets Without Guilt" (part of the symposium on "Weighing the Good of Affluence.") *Faith and Economics*. Vol. 40. Fall 2002. 1-3.
- _____. and Matthew R. Givens. "Christianity and Hayek." *Faith and Economics*. Vol. 53. Spring, 2009. 53-68.
- Finn, Daniel K. "Continuing the Dialogue on Markets and Morality." *Faith and Economics*. Vol. 49. Spring, 2007. 35-43.

Fitzgerald, Charity Samantha. "Looking Back to Move Forward: Christian Social Thought, Religious Traditionalism, and Social Welfare Theory." *Social Work and Christianity*. Vol. 38, No. 3. 2011. 267-292.

Gonce, R. A. "The social gospel, Ely, and Common's initial stage of thought." *Journal of Economic Issues*. Vol. 30, No. 3. Sept., 1996. 641-665.

Granovetter, Mark. "Economic Action and Social Structure: The Problem of Embeddedness." *American Journal of Sociology*. Vol. 91, No. 3. Nov., 1985. 481-510.

Harnish, Brandon. "Jane Addam's Social Gospel Synthesis and the Catholic Response: Competing Views of Charity and Their Implications." *The Independent Review*. Vol. 16, No. 1. Summer 2011. 93-100.

Hittinger, Francis Russell. "Divisible Goods and Common Good: Reflections on Caritas in Veritate." *Faith and Economics*. No. 58. Fall, 2011. 31-46.

Lacher, Hannes. "The politics of the market: Re-reading Karl Polanyi." *Global Society*. Vol. 13, No. 3. July, 1999. 313-326.

Lunn, John. "On riches in the Bible and the West Today." *Faith and Economics*. No. 39. Spring, 2002. 14-22.

_____. "Capitalism as Heresy: On Why Theologians Criticize Markets." *Faith and Economics*. Vol. 57. Spring, 2011. 1-24.

Maertens, Eppo. "Polanyi's Double Movement: A Critical Reappraisal." *Social Thought and Research*. Vol. 29. Jan., 2008. 129-153.

Migone, Andrea. "Embedded Markets: A dialogue between F.A. Hayek and Karl Polanyi." *Review of Austrian Economics*. Vol. 24, No. 4. Dec., 2011. 355-381.

Monsma, George N., Jr. "A Useful Framework for the Discussion of the Morality of Markets." *Faith and Economics*. Vol. 49. Spring, 2007. 1-9.

Polanyi, Karl. *The Great Transformation*. Boston, MA: Beacon, 1957.

Pope Benedict XVI. (June 29, 2009). *Encyclical Letter Caritas In Veritate of the Supreme Pontiff Benedict XVI*. Retrieved from http://www.vatican.va/holy_father/benedict_xvi/encyclicals/documents/hf_ben-xvi_enc_20090629_caritas-in-veritate_en.html

Pope Francis. (Nov. 24, 2013). *Apostolic Exhortation Evangelii Gaudium of the Holy Father Francis to the Bishops, Clergy, Consecrated Persons and the Lay Faithful on the Proclamation of the Gospel in Today's World*. Retrieved from

http://www.vatican.va/holy_father/francesco/apost_exhortations/documents/papa-francesco_esortazione-ap_20131124_evangelii-gaudium_en.html

Pope Leo XIII. (May 15, 1891). *Rerum Novarum: Encyclical of Pope Leo XIII on Capital and Labor*. Retrieved from http://www.vatican.va/holy_father/leo_xiii/encyclicals/documents/hf_l-xiii_enc_15051891_rerum-novarum_en.html

Pope Pius XI. (May 15, 1931). *Quadragesimo Anno: Encyclical of Pope Pius XI on Reconstruction of the Social Order*. Retrieved from http://www.vatican.va/holy_father/pius_xi/encyclicals/documents/hf_p-xi_enc_19310515_quadragesimo-anno_en.html

Stanfield, James Ronald. "The Institutional Economics of Karl Polanyi." *Journal of Economic Issues*. Vol. 15, No. 3. Sept., 1980. 593-614.

_____. *The Economic thought of Karl Polanyi*. London: MacMillan, 1986.

_____. "Karl Polanyi and contemporary economic thought." *Review of Social Economy*. Vol. 47, No. 3. Fall, 1989. 266-279.

Waterman, Anthony M. C. "Is 'Political Economy' Really a Christian Heresy?" *Faith and Economics*. Vol. 51. Spring, 2008. 31-56.