

A. Charity requires both justice and gratuitousness

On the one hand, charity demands justice: recognition and respect for the legitimate rights of individuals and peoples. It strives to build the *earthly city* according to law and justice.

On the other hand, charity transcends justice and completes it in the logic of giving and forgiving.

The *earthly city* is promoted not merely by relationships of rights and duties, but to an even greater and more fundamental extent **by relationships of gratuitousness, mercy and communion.**

Caritas in veritate 6

B. The institutional path of charity

To take a stand for the common good is on the one hand to be solicitous for, and on the other hand to avail oneself of, that complex of institutions that give structure to the life of society, juridically, civilly, politically and culturally, making it the *pólis*, or “city”. . . .

This is the institutional path — we might also call it the political path — of charity, no less excellent and effective than the kind of charity which encounters the neighbour directly, outside the institutional mediation of the *pólis*. . .

Caritas in veritate 7

C. Earthly justice as anticipation of the City of God

Man's earthly activity, when inspired and sustained by charity, contributes to the building of the universal *city of God*, which is the goal of the history of the human family. In an increasingly globalized society, the common good and the effort to obtain it cannot fail to assume the dimensions of the whole human family, that is to say, the community of peoples and nations,⁵ in such a way as to shape the *earthly city* in unity and peace, rendering it to some degree an anticipation and a prefiguration of the undivided *city of God*.

Caritas in veritate 7

D. Structural sin

The Church's wisdom has always pointed to the presence of original sin in social conditions and in the structure of society. . .

Caritas in veritate 34

E. Commercial logic and Redistribution

Economic activity cannot solve all social problems through the simple application of commercial logic. This needs to be *directed towards the pursuit of the common good*. . .

Grave imbalances are produced when economic action, conceived merely as an engine for wealth creation, is detached from political action, conceived as a means for pursuing justice through redistribution.

Caritas in veritate 36

F. There are bad markets and good markets

In and of itself, the market is not, and must not become, the place where the strong subdue the weak. Society does not have to protect itself from the market, as if the development of the latter were *ipso facto* to entail the death of authentically human relations. Admittedly, the market can be a negative force, not because it is so by nature, but because a certain ideology can make it so. It must be remembered that **the market does not exist in the pure state. It is shaped by the cultural configurations** which define it and give it direction.

Caritas in veritate 36

G. Exchange of Equivalents and Redistribution

Economic life undoubtedly requires **contracts**, in order to regulate relations of exchange between goods of equivalent value. But it also needs *just laws* and *forms of redistribution* governed by politics, and what is more, it needs works redolent of the *spirit of gift*.

Caritas in veritate 37

H. Fraternity and Reciprocity

My predecessor John Paul II drew attention to this question in *Centesimus Annus*, when he spoke of the need for a system with three subjects: the *market*, the *State* and *civil society*. He saw civil society as the most natural setting for **an economy of gratuitousness and fraternity**, but did not mean to deny it a place in the other two settings. Today we can say that economic life must be understood as a multi-layered phenomenon: in every one of these layers, to varying degrees and in ways specifically suited to each, **the aspect of fraternal reciprocity must be present**.

Caritas in veritate 38

I. Hybrid market organizations as civilizers of the economy

Alongside profit-oriented private enterprise and the various types of public enterprise, there must be room for commercial entities based on mutualist principles and pursuing social ends to take root and express themselves. It is from their reciprocal encounter in the marketplace that one may expect **hybrid forms of commercial behaviour** to emerge, and hence an attentiveness to ways of *civilizing the economy*.

Caritas in veritate 38

J. Old models disappearing

Today's international economic scene, marked by grave deviations and failures, requires a *profoundly new way of understanding business enterprise*. Old models are disappearing, but promising new ones are taking shape on the horizon. . . .

Caritas in veritate 40

The **continuing hegemony of the binary model of market-plus-State** has accustomed us to think only in terms of the private business leader of a capitalistic bent on the one hand, and the State director on the other. In reality, business has to be understood in an articulated way.

Caritas in veritate 41

K. The new model of a business firm

It would appear that the traditionally valid distinction between profit-based companies and non-profit organizations can no longer do full justice to reality, or offer practical direction for the future. In recent decades a broad intermediate area has emerged between the two types of enterprise. It is made up of traditional companies which nonetheless subscribe to social aid agreements in support of underdeveloped countries, charitable foundations associated with individual companies, groups of companies oriented towards social welfare, and the diversified world of the so-called “civil economy” and the “economy of communion”. This is not merely a matter of a “third sector”, but of a broad new composite reality embracing the private and public spheres, one which **does not exclude profit, but instead considers it a means for achieving human and social ends.**

Whether such companies distribute dividends or not, whether their juridical structure corresponds to one or other of the established forms, becomes secondary in relation to their willingness to view profit as a means of achieving the goal of a more humane market and society. It is to be hoped that these new kinds of enterprise will succeed in finding **a suitable juridical and fiscal structure in every country.** Without prejudice to the importance and the economic and social benefits of the more traditional forms of business, they steer the system towards **a clearer and more complete assumption of duties on the part of economic subjects.** And not only that. *The very plurality of institutional forms of business gives rise to a market which is not only more civilized but also more competitive.*

Caritas in veritate 46

L. Reciprocity in reform of the welfare state

By considering reciprocity as the heart of what it is to be a human being, subsidiarity is the most effective antidote against any form of all-encompassing welfare state.

Caritas in veritate 57

One way of doing so is by reviewing their internal social assistance and welfare policies, applying the principle of subsidiarity and creating better integrated welfare systems, with the **active participation of private individuals and civil society.** In this way, it is actually possible to improve social services and welfare programmes, and at the same time to save resources — by eliminating waste and rejecting fraudulent claims — which could then be allocated to international solidarity.

Caritas in veritate 60

M. God's love sustains us

Awareness of God's undying love sustains us in our laborious and stimulating work for justice and the development of peoples, amid successes and failures, in the ceaseless pursuit of a just ordering of human affairs.

Caritas in veritate 78

The Fundamentals of “Civil Economy”: Luigini Bruni and Stefano Zamagni (Oxford: Peter Lang, 2007).

1. Every social order requires three organizing principles
 - a. Exchange of equivalents: aims at efficiency, maximizing production
 - b. Redistribution: aims at fairness
 - c. Reciprocity: aims at generalized trust and eudaimonia
 - i. Gift as reciprocity, not gift as munus
 - ii. Reciprocity: a series of bi-directional transfers, mutually independent yet interconnected among persons who are in a condition of substantial equality
 1. The other’s response is
 - a. Expected, not required: unlike the contract
 - b. Bi-directional: unlike altruism
 - c. Transitive: the response may assist a third party
2. 15th-16th century civil humanism: market centered around the principle of reciprocity and civic virtues
 - a. Franciscan economic inventions
 - i. Monti de pieta: pawn banks
 - ii. Double entry bookkeeping
 - iii. The first rudimentary corporations
 - b. Conclusion: Reject the 20th century positions of both the right (markets will solve our problems) and the left (the advance of markets threatens civil life)
 - c. Key: integrate reciprocity within production, not added afterwards
 - i. Seek consumer participation in defining products, in assessing production methods and societal impacts
 - d. Our problem is not the market, it’s the wrong kind of market we have moved to over the past three centuries
3. Examples
 - a. microfinance, fair trade products, social enterprises, corporate foundations, economy of communion
 - b. Re-design of the welfare state
 - i. Not the liberal welfare state: Government taxation and provision of a service (supply a defined service to those who qualify)
 - ii. Not compassionate conservatism: leave the needy to seek services with help of donations
 - iii. Instead:
 1. Government taxation generates coupons for services given to need-bearers,
 2. Government certifies service providers (certifiable quality)
 3. Need bearers then spend those coupons at whatever private provider best meets their needs (tacit quality): competition