

TWENTY TENETS OF A PERSONALIST ECONOMY

Edward J. O'Boyle, Ph.D.

Mayo Research Institute

edoboyle737@gmail.com

December 8, 2017

The following twenty central tenets constitute the core of a personalist economy. These tenets, we insist, will endure though others very likely will emerge as we know more about how personalism shapes our understanding of economic affairs. Of these twenty tenets the first is by far the most important and likely will remain so.

1. *The human person is the basic unit of economic decision-making and economic analysis.*

The **person** of a personalist economy is a living, breathing, existential actuality who actively engages in economic affairs and is best represented by Schumpeter's entrepreneur.

In sharp contrast, mainstream economics rests solidly on the premise of the individual as the basic unit of the economic decision-making who is governed by the law of nature and acts in a rational, self-interested manner. The common good is achieved by each economic agent pursuing his/her own self-interest by means of self-regulating impersonal forces of the market or simply **the invisible hand**.

The distinction between individual and person is directly traced to the advancement of human communication from the script stage of the classical economists to the electronic stage of contemporary economics that has profoundly changed human awareness of others and of self. Human beings are not the **never**-changing, static, and predictable individuals of mainstream economics, no different today than they were in an age of drawn-out communication. They are the **ever**-changing, dynamic, and unpredictable persons of personalist economics who inevitably change as they interact with others in an age of instant communication.

Personalist economics sees as the basic unit of economic affairs the person who is an individual being and a social being and at once both matter and spirit. At times, humans act according to the premises of mainstream economics. At other times they act in ways that are emotional, other-centered, and utility-satisficing. The common good is achieved by means of **the visible hand** of human beings acting collectively and, following the principle of subsidiarity, through private organizations before turning to government for help.

The passive nature of **homo economicus** means that his development cannot change anymore than a machine can decide to change. Acquiring human capital or social capital does not alter his development because both are viewed not as an integral part of his nature but as possessions and possessing a thing is not the same as developing more fully as a human being.

The dynamic nature of the **person of action** means that his development unfolds over time as he/she acts in a virtuous or vicious manner. The **person of action** does not possess a virtue or vice; he/she becomes a more virtuous or vicious human being, thereby enhancing or diminishing

herself as a person. In personalist economics maximizing personal net advantage is not the final objective, human perfection is. As fundamentally different as they were in their economics, on the matter of human perfection as the final objective of the economy both Dempsey and Divine agreed.¹

2. *Human beings are sacred with rights originating in their very nature.* According to mainstream economics, human worth most fundamentally is determined contractually as for example in the wage contract. Voluntary exchange reinforced contractually is at the very core of a contemporary neo-classical economics which is returning to an economy that is free from government intervention and regulation (often referred to as a **laissez-faire economy**) as the ideal economic order. Personalist economics insists instead that humans are sacred and therefore have a status in economic affairs wherein their inalienable rights are more fundamental than contracts. They are ends in themselves and never to be seen merely as inputs to be valued instrumentally. Following John Paul II, human persons are made in the image and likeness of God and therefore are nearly divine.

3. *Human beings are both want-satisfying and need-fulfilling.* In their effort to make economics value-free, mainstream economists argue that all consumer behavior is want-satisfying. They do this knowing that if they admit that consumer behavior is also need-fulfilling economics becomes value-laden because need is a normative concept that is defined differently by the persons who use it. For that reason in mainstream principles texts, poverty (by definition, a normative concept) is addressed separately from consumption as if the two were unrelated. Personalist economics recognizes that consumers are both need-fulfilling and want-satisfying because good economic analysis rests firmly on the foundation of what is real and true and not on what is convenient and contrived.

4. *Meeting the needs of the human body is an intermediate objective of an economic system.* Mainstream economists construct economics around things and thus the efficient utilization of economic resources is the primary criterion by which the performance of an economic system is judged. In personalist economics human beings matter more than things and for that reason meeting the needs of the human body is only an intermediate criterion by which an economy is to be assessed. In this regard, personalist economics affirms the preferential option for the poor: those who are neediest are to be served first because even the lowliest among us are very nearly divine.

The ultimate objective of an economic system is human perfection which in economic affairs is achieved by maximizing integral human development. Maximizing personalist capital by acting virtuously rather than viciously (as does, for example, the landlord who allows a poor widow who has charge of her grandchildren to remain in her apartment without charging rent rather than evicting her) contributes to the maximization of integral human development.

¹ Bernard Dempsey, **The Functional Economy**, Englewood Cliffs: Prentice-Hall, 1958, p. 57. Thomas Divine, **Economic Principles and Social Policy**, Milwaukee: Raynor Memorial Libraries archives, Marquette University, c.1960, chapter 33, p. 4.

Personalist economics perceives consumption, work, and leisure more broadly than mainstream economics. Goods and services are consumed to meet not just the needs and wants of the human body but inevitably certain needs and wants of the human spirit. Work is for the dual purpose of (1) earning the income necessary to acquire the needed and desired consumer goods and services, and (2) becoming more fully human by meeting the need to belong and the need to utilize and develop creative skills and talents. Contrary to mainstream economics leisure is not what one does when not working but how one becomes more fully the human person he/she was meant to be. As with work, leisure is seen in a communal and an individualistic context.

In personalist economics, **having** matters less than **being**. The things one owns are less important than integral human development. In the end, all three principal economic activities -- consumption, work, and leisure -- provide opportunities to acquire the virtues that contribute to personalist capital or the vices that diminish personalist capital.

5. *The person of action replaces homo economicus.* By effectively denying that humans are embedded in families, communities, neighborhoods, companies, and civic organizations mainstream economics has constructed the concept of **homo economicus** as the essence of economic agency that is a distortion of human nature. Personalist economics argues forcefully that humans are a union of individuality and sociality, sometimes in harmony, sometimes at odds, requiring a reconciliation of deeply personal conflicts such as between work and family, spending and saving. The **person of action** incorporates the sociality of human nature even at the expense of some indeterminateness in economic analysis because good science begins with the right constructs. Constructing economic agency around the dynamic **person of action** rather than the passive **homo economicus** makes for a microeconomics based on human individuality and a macroeconomics based on human sociality and indicates the direction to be taken to finally create a unified body of economic theory.

6. *Economics is a value-laden discipline that struggles to sort out the uncertainty in economic affairs.* To mainstream economists, human reason unlocks the mysteries of the economic order that are expressed with certainty in determinate models, giving their economics the aura of an authentic positive science like physics. In personalist economics, the principle of certainty is not accepted *carte blanche*. Some indeterminateness is inevitable because human beings are not entirely knowable and their behavior is not always predictable. Further, human beings alone are moral agents because humans alone have the intelligence and free will to make ethical choices. Economics therefore is a normative discipline, one that is value-laden as opposed to value-free. The challenge to the working economist in this regard is to know the difference between the facts discovered through systematic inquiry and the values that one attaches to those facts.

7. *Decision-making centers on markets and institutions.* In mainstream thinking, the economy is self-regulating wherein any intervention on the part of the government is regarded as a departure from the efficiency of the market system. Personalist economics accepts the market system subject to the constraint that at times it is necessary to intervene in the market through public regulatory bodies such as the Securities and Exchange Commission and the Federal Trade Commission or private organizations such as producer and consumer cooperatives in order to assure that the powerful do not devour the weak and the good of the community is not routinely sacrificed to the good of the members taken individually.

8. ***Justice and Christian charity are necessary to check abuses that derive from excessive gain-seeking behavior.*** In a market economy, transactions are driven by gain-seeking behavior. Without the prospect of some gain, an economic agent simply is not motivated to complete a transaction. However, at times agents are exploited, deceived, mistaken and consequently are deprived of the gain that is their due. The virtues of justice and Christian charity are twin bulwarks that help protect humans from the abuses that originate in the excessive gain-seeking behavior of others. The three principles of economic justice – commutative justice, distributive justice, and contributive justice -- specify the duties that apply to buyers and sellers in relating to one another, to superiors in relating to their subordinates, and to a person in relating to any group to which he/she belongs. These duties, if faithfully executed, protect human wellbeing by curbing the destructive human attraction to ill-gotten gains.

With Christian charity, human beings are seen as children of God the Father, made in His image and likeness, as brothers and sisters of Jesus Christ whose incarnation as a human being and whose death ransomed them from sin and reconciled them to the Father and whose sacrifice forever more established each one as precious beyond measure. With Christian charity, every human being belongs to God because every human being is created by God to live forever. For Christians the greatest commandment is "to love one another, especially those who despise you, as I have loved you."

The secular virtue of generosity (or caring) is quite different. With generosity, human beings are seen as living, breathing, existential actualities, as ends in themselves more so than means, as persons with certain inalienable rights that must not be violated, as equals. As to the question to whom does a human being belong?, with generosity, he/she is perceived as belonging to no one but self for as long as life lasts.

Christian charity goes beyond the passive Kantian imperative to not view humans as mere instrumentalities. Every follower of Christ is required to actively affirm all human beings as persons. Christian charity, along with justice, eliminates the ill-will, disorder, and dishonesty that otherwise is common to a marketplace and workplace, replacing them with goodwill, solidarity, and authentic bargains. Christian charity has no value when it is hoarded. It comes alive and takes on value only when it is given away, and uniquely is never depleted by use. Neither justice nor Christian charity are virtues that are included in the mainstream economics way of thinking.

9. ***Social justice requires the individual to do all that is necessary for the common good.*** Practicing social justice means practicing all three types of justice relevant to economic affairs: commutative justice, distributive justice, and contributive justice. All three are necessary for the common good because all three foster the trust required for human beings to carrying out their everyday economic activities in common. It is unfortunate that some would reduce social justice to contributive justice alone.

10. ***Three principles organize economic affairs: competition, cooperation, and intervention.*** The first two activate economic affairs on the basis of two human dispositions. Competition is based on the human disposition to undertake certain activities alone for the reward to be gotten from completing those activities successfully. Cooperation derives from the human disposition to

undertake certain tasks collectively because they cannot be done effectively or at all by persons working alone. The decision to use competition organizes economic affairs around the Many (individuals). The decision to use cooperation organizes economic affairs on the basis of the One (group). Thus, competition manifests human individuality while cooperation expresses human sociality. Intervention operates in the limiting mode and often involves government action to curb certain destructive human activities energized by competition or cooperation. To protect human wellbeing, such intervention is to be grounded in the virtues of justice and Christian charity. Even when it self-evidently characterizes the relationship between producer and supplier, cooperation is largely ignored by mainstream economics as an organizing principle because it is taken **ipso facto** as collusive behavior.

11. *Three social values underlie the three organizing principles.* Each one of the three organizing principles rests on a different social value. In the absence of these values in society as a whole, the principles cannot be used effectively to organize economic affairs or used at all. Competition depends on the social value of individual freedom. If persons are not truly free to act they cannot compete. Cooperation rests on the social value of teamwork, community, solidarity. Without that value being widely shared across society, collective action cannot be undertaken. Intervention rests on the social value of equality in the sense that it is necessary for collective action to stop the powerful from subordinating and exploiting the weak. A **laissez-faire** economic order backed by neo-classical economics is based on the social value of freedom **from** government intervention and regulation. In personalist economics, freedom also means freedom **to act** as a responsible human person.

12. *Dynamic disequilibrium rather than static equilibrium is the order of the day.* Mainstream economics represents both microeconomic and macroeconomic affairs in terms of a static equilibrium of supply and demand wherein the self-regulating forces of markets bring the system into balance by the systematic clearing away of any and all surpluses and shortages. This view of economic affairs has been characterized as mechanical. Personalist economics, on the other hand, represents economic affairs as organic wherein the economy is driven dynamically toward disequilibrium by innovational change (creative destruction) that depends critically on the support of credit-creating financial institutions. The difference is between the centripetal-like impersonal forces of the market bringing the system to rest and the centrifugal-like human energy of the entrepreneur initiating change and triggering unrest in the system.

Personalist economics views economic development as based on creative destruction plus Schumpeter's other insights regarding development: creative vision, funding, access to resources, dynamic competition, and resistance to entrepreneurial change. Waters adds two other factors: the natural working together of labor, management, and government, and the cooperation of workers, managers, and owners in the workplace. At the very heart of economic affairs and therefore economic development is the entrepreneur, the agent of change, the quintessential **person of action**.

13. *Some limits are present in economic affairs; others must be imposed because human beings are materialized spirits.* Though Danner² uses "embodied spirit," his formulation and

² Peter Danner, **The Economic Person: Acting and Analyzing**, Lanham: Rowman and Littlefield, 2002, p. viii.

“materialized spirit” are essentially the same.

Mainstream economics separates body and spirit and centers entirely on human materiality as if to say that the **house** which provides shelter matters but not the **home** where family members develop and mature as human beings. Personalist economics argues that it is necessary to address both matter and spirit. Indeed, both are relevant: the house as shelter and the home as a place for human development.

Because human beings are matter, they are able to work, need food, drink, shelter, health care, and other needs related to special circumstances such as wheelchairs for those who are paralyzed, and require rest. Thus, economics is organized around three central activities: work, consumption, and leisure. However, too much of any one of the three, or too little, threatens human development, and points to the need for limits.

Human materiality imposes certain limits regarding consumption and work. Obesity and anorexia are just two manifestations of consuming too much or too little. Slothfulness and overwork are conditions indicating that a person is working too little or too much, adversely impacting the human body. When it comes to leisure activities, the party animal (too much) and the workaholic (too little) point to the need for limits lest human development is undermined.

There is another limit, known as the budget constraint, that applies especially to consumption. In a market economy the constraint originates in the decisions made by individuals based principally on their incomes and savings. In a command economy it originates to a large extent in the decisions of the central planning authority as to what goods are produced, how much are to be produced, and at what prices.

Human beings, more fundamentally, are spirits who yearn for truth, goodness, and beauty and fulfill those needs by teaching and learning, practicing the virtues and avoiding the vices, and seeking out the beauty rendered by human hands and ever-present in nature. All three are necessary for human development but, as with human materiality, too much or too little threatens development and calls for limits.

Too little or too much regarding truth (knowledge) are manifested, for instance, in ignorance and elitism. Too much beauty occurs when the worship of the One True God is replaced by the worship of physical beauty. “You shall have no other gods before me.” Too little happens when the second-rate takes the place of the stimulating. In economic affairs, too little goodness is manifested in greed, envy, and selfishness. Too much goodness, which is induced by the conviction that more always is better, takes the form of excessive gift-giving, undue praise for minor achievements, and unwarranted subordination to the wants and desires of others. The extremes of too much and too little are harmful to one’s own integral human development and the development of others.

The budget constraint applies as well to the needs of the human spirit. In a market economy teaching and learning, taking in the wonders of nature and human artistic talent, and practicing goodness in everyday economic activities typically demand expenditures for transportation,

meals, lodging, and the needs of others. In a command economy central planning decisions largely determine if and under what conditions the needs of the human spirit are addressed.

The practical virtue of moderation, along with commutative, distributive, and contributive justice, provides useful and effective limits on human material needs and the needs of the human spirit. Their faithful practice contributes powerfully to the realization of the full potential of every human being.

14. *No less than his Wealth of Nations, Adam Smith's Moral Sentiments should inform our re-thinking of economic affairs.* Indeed, there are compelling reasons to include both masterpieces in a reconstruction of economics around the **person of action** as the basic unit of economic analysis and personalism as its philosophical foundations, thereby making economics more relevant to contemporary economic affairs. **Moral Sentiments** and **Wealth of Nations** are complementary works that should be read and interpreted together to fully appreciate Smith's enormous contribution to our ability to describe and understand contemporary economic affairs more accurately. Had he lived in the electronic age, Smith probably would have seen more clearly the complementarity in his own work, and would have shared that more profound vision with his followers.

15. *The evolutionary model is superior to the cyclic model.* Mainstream economics is constructed on a cyclic model that applies circular descriptions and explanations to economic events. Among the many examples consider these three: (1) the use of the circular flow diagram to represent the fundamentals of macroeconomic affairs; (2) the business cycle as a representation of macroeconomic affairs unfolding over time, repeating a pattern of expansion, contraction, peak, and trough; (3) the natural-rate hypothesis which claims that unemployment invariably returns to its normal or natural rate regardless of the rate of inflation.

In the cyclic model events are construed as identical and inevitable, and therefore predictable. With the cyclic model reality is closed in and brought under control. Though assertive, thinking remains in a primitive mode³ thereby leading to the widespread use of econometrics in mainstream economic analysis. Using cyclic reasoning, and given the data required to operationalize their econometric models, mainstream economists are comfortable in asserting that changes in economic affairs can be predicted. What they do not fully appreciate is that one other requirement must be firmly in place: specifically and notwithstanding any changes taking place in economic affairs over time, **homo economicus** is an **utterly rational, never-changing human individual**. Without this rationality and constancy about human individuals as economic agents, and the automaticity that is characteristic of market economies, the cyclic model disintegrates for lack of predictability.

There are numerous examples of evolutionary thinking outside mainstream economics. Marx, for instance, was a leading advocate of the evolutionary model. So too were Veblen, Commons, Mitchell, and Ayres. Deriving its inspiration from Schumpeter, the **Journal of Evolutionary Economics** also presents economic affairs in terms of an evolutionary process. Evolutionary

³ Walter Ong, **In the Human Grain: Further Explorations of Contemporary Culture**, New York: The MacMillan Company, 1967, pp. 87, 73, 95.

economics replaces the maximization and equilibrium assumptions of mainstream economics with “uncertainty and imperfect information, routines, heuristic search processes and optimizing behavior, and nonequilibria”.⁴ Evolutionary economists have been applying the concepts of path-dependency, non-linearity, and self-organization from chaos theory to the problems of innovation and technological change.

Daly argued that matter-energy is **degraded** through the economic process (production and consumption) in the same way that matter-energy is **degraded** through the metabolic process (anabolism and catabolism). In both the biological order and the economic order the purpose is the same: the maintenance and enjoyment of life. Daly examines the life process, which he regards as the ultimate subject matter of economics and biology, under two aspects: steady-state and evolutionary.⁵

Daly’s thinking is linear. He visualizes the flow of matter-energy in economic affairs as “one-way, non-circular, and irreversible.”⁶ Several years later Daly employed linear thinking again to give expression to a steady-state economy based on the flow of matter-energy.⁷

Boulding⁸ argued that Smith, Malthus, and Marshall employed the evolutionary model and that it was Walras and his followers who by grounding economics in mathematics subsequently steered it in the direction of the cyclic model. Economic science, in other words, was first a biological science before it was fashioned into a physical science. With some reservation, Boulding⁹ added Schumpeter to this list of evolutionary thinkers especially as regards economic development. With even greater reservation, Witt and others¹⁰ cited Schumpeter’s contributions regarding innovation, the entrepreneur, and economic development as examples of rudimentary evolutionary thinking.

Ong beckons us to set aside cyclic thinking for evolutionary thinking because “one can make use of the circle model only as a result of a careful selection of details and the calculated elimination of others”.¹¹ Among the various examples of “careful selection” and “calculated elimination” are

⁴ G. Blauwhof, “Non-equilibria Dynamics and the Sociology of Technology,” in **Evolutionary Economics and Chaos Theory**, edited by L. Leydesdorff and P. van den Besselaar, New York: St. Martin’s Press, 1994, pp. 153-154.

⁵ Herman Daly, “Economics as a Life Science,” *Journal of Political Economy*, Volume 76, Number 3, 1968, pp. 392-394.

⁶ Daly, “Economics as a Life Science,” p. 395.

⁷ Herman Daly, “The Economics of the Steady State,” *American Economic Review*, Volume 64, Number 2, 1974, pp. 15-21.

⁸ Kenneth Boulding, **Evolutionary Economics**, Beverly Hills: Sage Publications, 1981, p.17.

⁹ Boulding, **Evolutionary Economics**, pp. 85-86.

¹⁰ Ulrich Witt and others, **Explaining Process and Change: Approaches to Evolutionary Economics**, edited by Ulrich Witt, Ann Arbor, The University of Michigan Press, 1992, p. 4ff.

the following: (1) imputing values for unobserved or unobservable variables; (2) omitting regressors and (3) using budget constraints that ignore kinks, discontinuities, gaps, and nonconvexities.¹²

Cyclical thinking casts aside “the utterly unrepeatable and unique human person.”¹³ Thus, according to Ong, there is no way to posit a **never**-changing **homo economicus** without essentially casting aside “the central corporate discovery of all mankind” – the evolutionary process. At the very heart of economic affairs is found the economic agent who is not cyclic but evolutionary, in a Darwinian sense adapting to the economic environment, and in a personalist sense changing by acting virtuously or viciously as an economic agent.

16. *In the language familiar to economists, the person of action maximizes personalist capital -- the practical virtues of justice, courage, moderation, and prudence.* Mainstream economics regards **homo economicus** as subject to change in that the economic agent is capable of acquiring or losing the human capital which is embedded in the agent’s very nature. Further, mainstream economics acknowledges that at times **homo economicus** acts altruistically, in accordance with the needs and desires of others, and reconciles this behavior with the self-centeredness of **homo economicus** by labeling it “enlightened self-interest.” Even so, **homo economicus** essentially is **never**-changing because that simplifying proposition assures a predictability of behavior in economic affairs and a certainty regarding empirical findings that fit comfortably in the view of economics as a physical science.

The **person of action**, on the other hand, emphasizes personhood and personalism in place of the individuality and individualism of **homo economicus**. The **person of action** directs attention to the economic agent as one who is **dynamically** engaged in economic affairs rather than an individual who like a machine **passively** maximizes personal net advantage, to **what** the economic agent does rather than **where** the agent is situated, to **how** the economic agent conducts economic affairs either by embracing virtue and avoiding vice or by computing costs and benefits. The **person of action** connects economic agency to work, consumption, and leisure that change the economic agent who in acting virtuously or viciously accumulates or depletes personalist capital, and thereby is more effective and more highly valued as an agent or less effective and less highly valued. The **person of action** is **ever**-changing.

In total disregard for the wisdom of the ages regarding moderation and human development mainstream economics asserts that above all else **homo economicus** maximizes net personal advantage in terms of utility and profit and that the economy functions best when it achieves Pareto optimality. Maximizing utility and profit is based on the proposition that the good invariably consists in **having** more. Without fear of compromising human development on the altar of that flawed proposition, personalist economics claims that most fundamentally the

¹¹ Walter Ong, **In the Human Grain: Further Explorations of Contemporary Culture**, New York, The MacMillan Company, 1967, p. 89.

¹² Ernst Berndt, **The Practice of Econometrics: Classic and Contemporary**, Reading: Addison-Wesley Publishing Company, 1991, pp. 614-649.

¹³ Ong, **In the Human Grain**, p. 78.

economy functions best when the **person of action** maximizes personalist capital thereby enhancing his/her own integral human development and rendering him/herself more effective and more highly valued as an economic agent. Maximizing personalist capital rests on the proposition that the good always inheres in **being** more.

17. *Following Nobel Laureate Amartya Sen's capabilities-set argument, personalist economics hold fast to the proposition that the economic agent, the person of action, strengthens his/her capabilities set by acting virtuously in economic affairs and weakens that set by acting viciously.* Acting virtuously contributes to personalist capital just as acting viciously diminishes it. Further, strengthening everyone's capabilities set enhances integral human development just as weakening that set impairs it. Personalist economics not only adds an important human behavioral element -- personalist capital -- to Sen's capabilities set but also links that improved set to integral human development and asserts that the ultimate purpose of the economy is maximizing integral human development that is achievable by maximizing that capabilities set.

18. *Personalist economics understands and applies opportunity cost in economic affairs much differently than mainstream economics.* In the economic decision-making process, mainstream economics draws attention to the cost of what an economic agent cannot do or cannot have when that person makes a decision even in those instances where the agent is not explicitly aware of that cost. Opportunity cost for the producer is grounded in the premise that what is foregone is feasible and profitable. For the consumer opportunity cost is grounded in the premise that what is foregone is available and desired.

Advocates for including caring somehow would add this secular virtue to the mainstream way of thinking about the economic agent and economic affairs. Their efforts fall short because (1) the exchange that is triggered by caring involves need fulfillment not want satisfaction, and (2) the economic gain applies only to the person in need. The caring person does not realize or even desire economic gain. Instead the generous person has an enhancement of personalist capital because caring is a good habit that rises above the demands of justice. In sharp contrast, the person with resources who sneers at and walks past a person in need experiences an erosion of character and a depletion of personalist capital because callousness is a bad habit.

Opportunity cost does not apply to caring or Christian charity because both involve persons who are not interacting for the purpose of **mutual** gain. For sure, the service or material thing freely offered and graciously received has economic value. However, for the persons who receive those gifts nothing is foregone. At the same time, the person prompted by caring or Christian charity appears to be giving up something of value without getting anything of value in return. But there is a real return to the firm that actively engages in caring or Christian charity in that the firm adds to or acquires goodwill that is accounted for on the balance sheet of that firm when it is sold.

Caring and Christian charity alter the basic requirement for economic exchange to take place. For the self-interested **homo economicus** of mainstream economics, a comparison is made as to whether what is gotten in the exchange is more highly valued than what is given up. In contrast, the person in need who accepts what has been offered by a generous or loving person gives up nothing of economic value. For the **person of action** who is prompted by generosity or love nothing of tangible value is gotten in the gift-giving process. Rather, integral human development is enhanced.

19. ***Local economic development requires persons of action, homo economicus will not do because he/she is much too passive.*** Local development is promoted by two strategies: recruiting a few large established enterprises to locate in the target area or supporting many small start-up firms. An alliance of local ministers can impact local development by acting together, pooling their individual checking accounts, and offering that pool of resources to any local bank that is willing to make loans to start-ups in the target area that need credit in order to begin operations. Any business failure associated with this kind of program does not impose a financial burden on the alliance members because they are protected by FDIC deposit insurance up to \$250,000. The burden is split between the failed business owners who must liquidate their assets in order to pay off their loans or by the bank in the form of loan loss whenever the liquidated assets are insufficient to pay off the loans entirely.

20. ***A personalist economy is based on the market mechanism, private enterprise, the common good, economic freedom, subsidiarity, solidarity, worker participation in enterprise decision-making, the universal destination of the world's goods, and the legitimacy of profit, and personalist capital.*** A personalist economy represents a viable option to both capitalism and socialism because it is organized around private groups positioned between the individual person and the more powerful state, groups that emerge due to the inability of the individual person to adequately address specific economic problems. These private intermediary groups, which help reconcile individual good and the common good, are the distinguishing characteristic of a personalist economy.

By using non-collusive cooperation to work out solutions to problems, intermediate groups that operate in a personalist economy offer promise for slowing the growth of big government thereby helping preserve the free exercise of economic initiative. The most important characteristic of these private groups is a separate administrative organization that subordinates the principle of competition to the principle of cooperation in a dynamic decision-making process that is positive-sum in that these groups seek to achieve gains for all of the parties involved whether they are directly represented in the organization or not. Arising from the social nature of human beings who are encountering the same day-to-day economic difficulties, these intermediate bodies are as diverse as the individual nature of those human members and the specific economic problems they hope to resolve.

#