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Democracy  
and the  
Common  
Good



**A Common Good  
Approach to Free  
Movement of People  
and Capital**

*Adrian Pabst*

Foreword by *Rachel Reeves MP*



## About St Paul's Institute

St Paul's Institute exists to engage publicly with how questions of ethics and faith relate to finance, business and the economy. It approaches these issues in the context of the common good and human flourishing. In doing so, the Institute seeks to recapture the ancient role of St Paul's Cathedral as a centre for public debate. By exploring themes of equality, stewardship and the meaning of the common good, it aims to bring the distinctive wisdom of the Christian tradition to bear on our understanding of the role of the economy in modern society. [www.stpaulsinstitute.org.uk](http://www.stpaulsinstitute.org.uk)

## About the series Democracy and the Common Good: What do we Value?

This initiative is about working with others to advance the common good – an ordering of relationships in a way that holds in balance individual fulfilment with mutual flourishing, based on the dignity and equality of all people.

Recent political developments in the West have led many people to question whether liberalism can generate prosperity and social cohesion, and to wonder how we can address economic inequality, social division and political polarisation. Together with other organisations committed to the common good, the St Paul's Institute's Democracy and the Common Good programme seeks instead to stimulate a national conversation, based on the dignity of the person and the common good. Specifically, it concerns how a common good approach can be (1) integrated into civic discourse and activity, and (2) applied to certain spheres of public policy. In each case, a key objective is to help shape an inclusive society that is more capable of addressing the challenges we currently face. Both elements are essential: more than anything else, giving effect to the common good involves the practice of working things out together. This essay and the launch event on 19 March with Michael Sandel are the first in the series.

More information on the Democracy and the Common Good programme, and resources relevant to the issues it addresses, can be found at: <http://www.stpaulsinstitute.org.uk/Resources/Democracy-and-the-Common-Good-What-Do-We-Value>

## About the essay

The movement of people and capital is fundamental to economic development worldwide. However, particularly in global and regional contexts, it has also engendered widespread feelings of economic and cultural insecurity. Attempts to address this often rely on assumptions about freedom of choice for the individual or economic utility (i.e. the benefits or costs for the majority). By contrast, applying the perspective of the common good involves holding personal fulfilment and community flourishing in balance. This essay seeks to advance an alternative approach to the free movement of people and capital based on the perspective of personal virtue and the common good – one that can help to address existing anxieties and provide a source of fresh policy ideas, adding to the ongoing work being carried on in faith communities and other groups that exist in the space between the individual and the state.

N.B. The opinions expressed in this essay are those of the author, and do not necessarily represent the views of St Paul's Institute or St Paul's Cathedral.

## About the author

Dr Adrian Pabst is Reader in Politics in the School of Politics and International Relations at the University of Kent, and Fellow at the National Institute of Economic and Social Research (NIESR). He was educated at the University of Cambridge, the LSE and *Sciences Po* Paris. His research is at the interface of political theory and political economy with a focus on ethics and religion.

He is the editor of *The Crisis of Global Capitalism: Pope Benedict XVI's social encyclical and the future of political economy* (Wipf & Stock, 2011) and *Blue Labour: Forging a New Politics* (I.B. Tauris, 2015). He is also the author, with John Milbank, of *The Politics of Virtue: Post-liberalism and the Human Future* (Rowman & Littlefield, 2016). Currently he is finishing a book on democracy that will be published by Polity Press in Autumn 2018.

Adrian is a regular contributor to print and broadcast media. His essays and comment articles have been published in *The New Statesman*, *The International Herald Tribune* (now *The International New York Times*), *The Guardian*, *The Huffington Post*, *The Conversation*, ABC (Australia) and *Les Echos* (France). He has appeared on the BBC, ITV, France24 and NTR (Netherlands).

**Email: [A.Pabst@kent.ac.uk](mailto:A.Pabst@kent.ac.uk)**

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## Foreword

***By Rachel Reeves MP, Chair of the Business, Energy and Industrial Strategy Select Committee***

Britain's vote to leave the European Union in 2016 and the outcome of the 2017 General Election were hammer blows to an often complacent economic liberalism. Conventional wisdom is only just beginning to adapt to a world that looks very different from just two or three years ago.

Our economic model is failing, characterised by weak growth, more than a decade of stagnating living standards for the majority, and deep-seated inequalities between classes, regions and generations. Our enduring challenges of poor productivity, low pay and an out-of-control, financialised housing market have left us reliant on highly flexible labour markets and ballooning household debt.

As Chair of the Business, Energy and Industrial Strategy Select Committee, I regularly see evidence of the loss of a sense of a broader public purpose among some of the big businesses in the British economy. Short-term shareholder returns are all too often prioritised to the expense of everything else, and I am pleased that St Paul's Institute will be making the case to rethink the purpose and role of financial and business activity. Diversified forms of ownership and a transformation of Britain's model of corporate governance are essential if we are to break out of a cycle of mismanagement and short-termism characterised most recently by the collapse of Carillion. Reform to ensure the interests of workers, the supply chain and consumers are heard alongside those of shareholders is essential and I am glad that this pamphlet has engaged with those issues.

It is also right that this pamphlet focuses on skills, investment and the need for closer consideration of communities in what I call the everyday economy – where most people live and work. Financial globalisation – and successive governments' reluctance to tackle its worst excesses – has left us with deep regional inequalities and an economy built on shallow foundations. The task ahead of us is to lay the strong foundations we need for meaningful, inclusive growth. Constructing an approach to the economy which foregrounds the common good, and a rebalancing of the interests of capital, labour and the communities within which they are embedded, will be an essential part of that process.

At what may only be the start of a long process of imagining and constructing an alternative to a broken economic model, this pamphlet is an important contribution to the debate. I hope St Paul's Institute continues this good work.



## Executive Summary

This is an age of upheaval. A decade of financial disruption, austerity and stagnant wages has left many people worse off. Rapid changes to family and community life, and weaker civic ties, have reinforced a sense of social fragmentation. Governments in Western democratic systems have often seemed unresponsive to the long-term needs and interests of citizens. Meanwhile, economic short-termism is generating a sense of powerlessness and lack of accountability. Prevailing ideologies and policy choices are insufficient to create the conditions for prosperity and community flourishing.

The problem this essay explores is how to bring about greater justice at a time when a growing number of people feel they are not getting a fair share in the economy and society. Justice is about how we should treat one another; how laws and contracts should be designed and how interpersonal relations should be organised. Different concepts of justice underpin what we value individually and collectively, and they shape the way democracy decides between competing interests.

The essay develops two arguments aimed at enriching public debate: (1) democracies which prioritise freedom of choice and utility tend to privilege individual self-interest and end up undermining the society we live in; and (2) democracies which promote the common good and virtue (a habit or quality that enables human beings to pursue their purpose) can combine economic success with social cohesion, balancing personal autonomy and interdependence. The common good and virtue are not moralistic impositions by elites on everyone else. Rather, they emerge from practices, which pursue individual fulfilment (a person's unique talents and vocations) and mutual flourishing (the relationships that give people meaning).

This essay seeks to show what difference it makes if the response to the free movement of people and capital emphasises the common good and virtue. Why focus on the movement of people and capital? Because labour mobility and capital flows are associated with potentially significant mutual advantages, but also with disruption and dislocation. They are therefore two of the most important influences on the relationship between globalisation and democracy. Models of justice based on virtuous behaviour and the common good can help discourage the vice of greed, selfishness, distrust and conflict in favour of common benefit, generosity, trust and cooperation.

A key message of this essay is the importance of broad based engagement in

seeking to advance the common good. The aim is not simply to reframe the debate about the free movement of capital and labour. Rather, it is hoped that doing so will help to support the renewal and development of common good practices both as an end in itself and as a fertile ground for the formulation, adoption and implementation of fresh reforms. The essay puts forward a series of possible policy ideas to translate the principles of virtue and the common good into action. They should not be seen as a comprehensive reform programme. Rather, they are intended to stimulate discussion and further thoughts on how applying a common good approach can shape policy.

## I. Reforming the free movement of people

**1. Restore and extend the Future Jobs Fund** scheme by central government to provide subsidised training, apprenticeships and employment places.

**2. Introduce a requirement that businesses train two local people for every one person they hire from abroad**, including a system of incentives and rewards (e.g. tax breaks, preferential access to public tender) that reflects sectoral- and industry-specific needs.

**3. Regulate employment agencies** in such a way that they need a license (abolished in 2004); expanded resources for the inspectorate to ensure that they abide by the 'resident labour market test' (employers cannot hire directly from abroad but have first to advertise vacancies domestically and give preference to domestic candidates, both indigenous and immigrant, who live in the UK permanently).

**4. Introduce a local and regional public interest test for economic migration**, identifying both specific economic and social needs as well as the capacity to integrate newcomers, based on newly designed common good measures such as a threshold of community cohesion and involving a participatory and consultative process that reflects the understanding and concerns of local people; such a test would be subject to national legislation that guards against discrimination (on grounds of age, disability, marriage and civil partnership, race, religion or belief, sex, and sexual orientation); no single group would have a veto; the common good would require a better balance of interests.

**5. Create local and regional immigration bodies**, composed of existing elected representatives (mayors, local authority officials and ministers of devolved government) and also of employers' associations, trade unions and

representatives of local communities (including faith groups), with an advisory role in relation to work permits that would take into account sectoral- and industry-specific economic needs as well as the social and cultural contribution, which can be better captured by common good measures.

**6. Introduce a community sponsorship system for immigrants or a Newcomers Club**, which involves coordinators matching volunteers to newcomers, including families with other families and workers with employers, to aid integration and mutual understanding; this would build on the programme of community sponsorship in place for Syrian refugees (with the help of churches and community organisations) and could be modelled on the Canadian 'buddy' system for new immigrants. It would help find housing, work through bureaucratic processes with tax, NHS, schooling and local authorities that will be unfamiliar to newcomers. The mutual understanding gained from this will promote mutual flourishing.

**7. Increase funding for English language classes** and other ways of fostering integration (for example, some form of participation in an expanded national civic service for all new immigrants as well as the indigenous population), while also introducing a requirement that immigrants either speak English or enrol on to compulsory courses. For working adults, the obligation to demonstrate English proficiency, within a certain number of years after their arrival in the UK, would be a joint obligation of employer and employee. At the same time, make it a requirement that all UK residents learn one other language to competency level other than English in state schools to give them an improved understanding of other cultures.

**8. Establish a national bipartisan commission on education, skills and investment outside of London** that is tasked with addressing regional investment discrepancies and internal migration.

## II. Reforming the free movement of capital

**1. Clarify the purpose of financial and business activity**, in particular as it concerns personal and community flourishing, including giving greater substance to the idea of a social licence for business and financial markets and asking public and private businesses to publish a clear account of their purpose that addresses the societal function and value of their activities.

**2. Discourage financial and business activity that is not consistent with that purpose**, including new measures to take account of human well-being

more broadly and to discourage excessive speculative financial market activity.

**3. Reduce the flow of ‘hot money’** by way of introducing country-specific capital flow management, including taxes on certain transactions and investments with the aim of reducing short-term speculation and investment in unproductive assets such as domestic real estate and encouraging appropriate direct investment.

**4. Foster a greater diversity of legal structures through which financial and business activity can be undertaken**, favouring those that foster close relations between business owners and staff and their communities, for example by introducing structures that create a stronger relational link between business participation and the sharing of risk and reward, as well as measures aimed at channelling capital into serving the needs of people in communities.

**5. Further attention to focusing capital allocation on regional and social funding needs**, in particular to help absorb capital flow and channel it into productive activities in the real economy – especially in ways that reconnect financial and commercial activity with a clear social and ecological purpose.

**6. Revise company and investment law** to strengthen the duty of directors and investors to manage long-term social resilience risks, including a requirement on institutional investors to take account of ecological, social and governance standards in investment decisions. Among others, the UK’s Financial Reporting Council is undertaking relevant work on its Corporate Governance Code and Stewardship Code.

**7. Strengthen the mechanisms for ensuring that societal interests are adequately taken into account, and can be seen by the public to have been taken into account, in the event of mergers and buyouts**, including foreign hostile takeovers.

### III. Next steps for St Paul's Institute

- 1.** St Paul's Institute will run a public programme over the course of 2018 to address how the common good can be considered at the level of the citizen, the community, the nation and the world.
- 2.** St Paul's Institute will work in concert with politicians, policymakers, universities, think-tanks, NGOs, financial institutions and others to generate acceptable, constructive and workable policy proposals that would give citizens a greater sense of agency in the creation of the society in which they wish to live.
- 3.** In partnership with other organisations, St Paul's Institute will help to foster a national conversation involving a network of churches, other faith traditions and civic institutions around the country to further develop these proposals and consider how communities can help promote the common good, including discussion guides and 'town hall'-style meetings.

# A Common Good Approach to Free Movement of People and Capital

*Adrian Pabst*

## Preface

This is an age of upheaval. A decade of financial disruption, austerity and stagnant wages has left many worse off. Rapid changes to family and community life and weaker civic ties have reinforced a sense of social fragmentation and, for some, abandonment. Government responses have often seemed driven more by short-term economic interests than a concern for citizens' long-term needs, adding to popular feelings of powerlessness and a lack of accountability. The capacity of prevailing ideologies and policy choices to create the conditions for prosperity and community flourishing is in doubt.<sup>1</sup>

The depth of division across advanced economies such as the USA, the UK and many continental European countries has been laid bare in recent referenda and elections. Populations are split between the young and the old, the metropolis and the provinces, cities/towns and the countryside, those who are university educated and those who are not. These differences can be mapped on to key electoral divisions such as Remain–Brexit, Clinton–Trump and Macron–Le Pen. The old opposition of left versus right seems increasingly obsolete, its dominance in contemporary political analysis superseded by a new narrative of a clash between liberal-cosmopolitan 'people from nowhere' and conservative-communitarian 'people from somewhere'.<sup>2</sup>

Yet this narrative risks substituting one binary world for another – one in which the main fault lines are cultural and generational, encapsulated by the networked metropolitan youth versus the old 'left behind'. Categories of this sort fail to capture the complex composition of urban communities and the dynamics of inequality, and also religious practice, within them. A sound basis for growth and policymaking requires a more nuanced approach to the political and social landscape that integrates culture and age with class, geography and faith. Ultimately, we need to make our way together. Overly simplistic stories about a bright cosmopolitan future or a backlash against globalisation are not sufficient for that. Instead, the forging of a common life requires a politics and a broad public discourse based on a different language and a transcendent conversation – one that can address deeper divisions around questions of meaning and belonging.

While the focus of what follows is on free movement of people and capital, the underlying issue is how to bring about greater justice – a state of social relations in which all human beings can flourish. The operation of free movement of people and capital has had many positive results. However, it is also linked to diminishing social cohesion and, for many, a weakened sense of value, whether through the impact on work, community, country or otherwise. This raises an important question about which institutions and social structures can help to bring together divergent economic and cultural identity interests in seeking to realise what is just within the new reality. Three preliminary points need to be made in this context.

First, we have increasingly come to look to the state and the market as the main institutions to fulfil this role. However, the two models that have, since 1945, dominated our understanding of how they should do so have now faltered: (1) 'embedded liberalism', which was characterised by Keynesian economics of full employment and demand management and prevailed until the 1970s;<sup>3</sup> and (2) thereafter, 'neo-liberalism', which was driven by Hayekian economics of controlling inflation and enacting supply-side reforms.<sup>4</sup> Whereas the former focused on the administrative state to control from the top down previously more mutual arrangements, the latter shifted the emphasis to the free market as the main mode of social organisation. However, both models have relied on assumptions that individuals will make rational decisions to maximise their utility and well-being. And as economic well-being is easier to measure than the common good (a situation in which personal flourishing is derived from and contributes to mutual flourishing), these two models are skewed in favour of value that can be quantified or measured, usually in monetary terms.

Second, another notable feature of contemporary institutional and social life has been a tendency to privilege 'value' over 'virtue'. This may be because the latter makes the moral dimension to any judgement more explicit, something that many – perhaps especially politicians – seem reluctant to acknowledge.<sup>5</sup> As a result, discussion and decision-making can circle around abstract values, such as freedom, equality and democracy. However, unless these are grounded in relationships with family, friends, colleagues, fellow citizens or 'strangers in our midst', much as the idea of the common good insists, they can easily become debased to mean free choice, sameness and the rule of mass opinion.

Third, when we seek to identify the ends on which the values discussion is focused, ideas of economic utility for the majority and freedom of choice or

absence of constraint for individuals seem to dominate. But it is questionable whether these alone can provide an adequate basis for political and social cohesion. A richer conception of humans as social and political beings who can only fully flourish in relationship seems lacking. If it is correct that relationship is fundamental to human flourishing, the critical question then becomes what sort of relationships foster that end. This returns us to the question of justice – how we should treat one another; how laws and contracts should be designed and how interpersonal relations in society should be organised.<sup>6</sup>

Without a shared understanding of just ends – or at least an understanding that the process of seeking to identify and realise them must be shared – it is impossible to resolve conflicts over what different groups in society value. A concern for justice is not a pious demand for more morality in public life, as if ethics were alien to politics – or any other process of social organisation – and in tension with practical reality. Quite the opposite. It grows from the fact that political activity and social organisation are concerned with the ordering of relationships. Explicitly or implicitly, it must therefore operate by reference to an understanding of what is the 'right' or 'just' outcome – it is always already intertwined with ethics. But competing conceptions of what is right or just hold radically different answers to questions about how far politics should be concerned with personal and social flourishing and, if so, what that might mean in practice. The real issue is therefore about the finality or purpose of politics and social activity more widely – what is good or desirable as an end to be pursued and achieved?

Especially in times of division there is a strong desire for shared purpose. In her maiden speech in the House of Commons, the MP Jo Cox, who was murdered in June 2016, put this well: 'We are far more united and have far more in common with each other than things that divide us.' How can politics and public policy reflect this sense of shared purpose? Drawing on Christian social teaching, this essay sets out a new approach to free movement of people and capital based on a conception of justice that is centred on virtue, the common good and the dignity of the person.

Virtue is a habit or quality that enables human beings to pursue their purpose, which is to lead a good life. A good life combines individual fulfilment with mutual flourishing in association with others – fulfilling the unique talents of each and pursuing the common good of all. The common good is not a simple sum of individual goods, like total national output. Rather, it comprises all the goods that only exist in the act of sharing them – trust, friendship and all the



relationships of cooperation that give meaning to our activities.

This involves a recognition that our fundamental identity, our personhood beyond our individual selves, develops through a process of social interaction, and that making personal sacrifices is inherent to interaction but also affirms and strengthens shared identity, so enriching future interaction. Another way of saying this is to suggest that society based on the dignity of the person and the common good is a covenant between the different groups within it and between generations, involving a 'virtuous circle' that balances freedom and autonomy with solidarity and care for others. A society that reflects our social, relational nature rejects both rampant individualism and the arbitrary restrictions on freedom that come with misplaced nationalism.

The lack of substantive discussion on these issues to date suggests that there is significant potential (1) to build a national public conversation around the common good, and (2) to develop policy ideas that translate this perspective into concrete action. Both elements are essential: more than anything else the common good involves the practice of working together. The primary purpose of this essay is therefore to help generate precisely that. In particular it seeks to do three things:

- First, to reframe the terms of the debate on free movement of people and capital away from an emphasis on utility or individual freedom of choice and towards a concern for the common good;
- Second, as part of a broader public discussion, to stimulate engagement with a common good approach among thought leaders and opinion formers in the UK and elsewhere;
- Third, to put forward new policy ideas based on a common good approach that can contribute to public policy- and decision-making.

# I.

## Why the focus on free movement of people and capital?

Put simply, free movement of people and capital are commonly conceived of as two of a number of economic freedoms, and approached through an economic lens. However, their implications are much more than economic, affecting politics, culture and human flourishing. A common good approach helps us to explore these broader impacts in a way that has practical implications that also transcend the economic.

### I.1. Reframing the debate about economic globalisation and democracy

Much current debate about globalisation and democracy focuses on the 'left behind' and the backlash against the establishment. One significant area of difference is, broadly speaking, between those who view Brexit, the election of Donald Trump and the rise in support for the revolutionary left or the radical right as just headwinds that will not blow liberal globalisation off course for long, and those who see these events heralding a process of de-globalisation and the return of the nation state. Yet while they may seem like competing narratives, both involve an emphasis on the winners versus the losers of economic liberalism and an economic utilitarian assumption that the success of some is somehow inevitably at the expense of others. What accounts of this sort do not adequately address is the complex interdependency between economic and cultural factors – between global economic activity and human political and social relationships. This complexity means that it is not a simple case of economic and cultural 'either/or'.<sup>7</sup> The relational dimension needs much greater attention. Three perspectives on the impact of globalisation may help to illustrate this.

First of all, globalisation has simultaneously weakened national industries – as compared with transnational operations – and strengthened the role of international finance in distributing funds in search of maximal returns. While it is true that multinational corporations and increasing global capital flows have undercut the power of sovereign states, it is also the case that government has often favoured this process by adopting policies of liberalisation, deregulation and privatisation. For example, in the case of free movement of capital specifically, OECD members have cooperated to facilitate international capital flows within the framework established by the OECD Code of Liberalisation of Capital Movements.<sup>8</sup> There have been important reasons for this in terms of the pursuit of economic prosperity. However, it suggests that states – especially large advanced economies (e.g. the USA, the UK, the EU countries, Japan) and

certain emerging markets (e.g. China, India) – retain some considerable power and that there has been a certain convergence between ‘big government’ and ‘big business’.

The historian Philip Bobbitt has conceptualised this convergence as the transition from the nation state to the ‘market-state’.<sup>9</sup> The market-state is characterised by three paradoxical developments, which have an important relational dimension:

- (1) ‘it will require more centralized authority for government, but all governments will be weaker’;
- (2) ‘there will be more public participation in government, but it will count for less, and thus the role of the citizen *qua* citizen will greatly diminish and the role of citizen as spectator will increase’;
- (3) ‘the welfare state will have greatly retrenched, but infrastructure security, epidemiological surveillance, and environmental protection – all of which are matters of general welfare – will be promoted by the State as never before’.

As Bobbitt concludes: ‘These three paradoxes derive from the shift in the basis of legitimacy from that of the nation-state to that of the market-state.’<sup>10</sup> In short, globalisation involves fundamental questions about the social contract.

Second, economic liberalism has lifted millions out of poverty in emerging markets such as China or India, and also provided new opportunities for many citizens in advanced economies. However, these same forces have left many traditional workers in the West jobless and worse off, both economically and in terms of self-esteem. From that perspective, the way liberal market forces based on freedom of choice, utility-maximisation and self-interest have been left to operate seems to have damaged the very fabric of society. As early as 1944, Karl Polanyi conceptualised the impact of economic liberalism in terms of the dual effect of, first, disembedding politics and the economy from society and, second, embedding social bonds in formal legal procedures and transactional ties.<sup>11</sup> For some time now, most intermediary institutions of civil society have either been progressively subsumed under the sovereign power of the central state or else absorbed into the globalising tendency of the ‘free market’.<sup>12</sup> There is also growing evidence of alienation between the populace and those in government or at the helm of international business and finance. Thus globalisation raises questions of distributive justice within and across countries that relate to people’s sense of fairness.

Third, the functioning of states, markets and globalisation involves what the economist Dani Rodrik has termed a 'trilemma': the mutual incompatibility of democratic politics, national sovereignty and global economic integration.<sup>13</sup> Any two of the three can be combined, but never all three simultaneously and in full. He therefore identifies three options: (1) creating a politics of global federalism that aligns transnational democracy with transnational markets at the expense of the nation state; (2) using the nation state to pursue integration with the global economy at the expense of domestic democracy; (3) maintaining national sovereignty and democratic politics at the expense of a country's integration with the global economy.

At present the first option is little more than a theoretical possibility and any attempt to pursue it would run into problems of legitimacy and popular assent. But the wider point is that there are necessary trade-offs between democracy, national sovereignty and economic globalisation, and the way countries take decisions reveals the underlying hierarchy in their conception of justice – whether implicit or explicit – between maximising economic utility, reinforcing freedom or pursuing the common good.

In turn this raises fundamental questions of justice. The dominant model of liberal economic globalisation with its emphasis on deregulation, privatisation and liberalisation tends to be defended in terms of (1) the aggregate positive effect on collective economic utility<sup>14</sup> (e.g. GDP) and (2) individual freedoms – notably the free movement of goods, services, capital and people. However, there are problems with each of these. The problem with focusing on measures of collective economic utility is that it conceals from view the impact on individuals and groups (including in situations where the political or economic system is dominated by vested interests).<sup>15</sup> The problem with emphasising freedom of individual and corporate choice is that it is silent on other forms of freedom, such as freedom as self-restraint and the freedom of groups, and on the conditions in which different people exercise free choice.<sup>16</sup> As the social theorist Zygmunt Bauman put it, in a world of liberal economics that views each person as a rational utility-maximiser who chooses freely, 'the conditions under which choices are made are not themselves a matter of choice'.<sup>17</sup> The emphasis on individual freedom can also mean that insufficient attention is given to the purpose or outcomes of choice.

Given the levels of economic inequality and insecurity within and across countries, there is a pressing need to examine the governing assumptions of liberal economic globalisation about the values of economic utility and

freedom. There is a need to consider them in the context of the human relational networks on which they depend and implicitly or explicitly assume.

## 1.2. Why the focus on labour and capital mobility?

It is common, particularly in a European context, to think in terms of four economic freedoms: freedom of movement of goods, services, people and capital. However, free movement of people and capital seem more closely connected with current discontents than the other two economic freedoms.

This is not to deny there is a relationship between all four economic freedoms. There is a strong argument that internationally free trade in goods and services cannot thrive without international labour and capital mobility. As cheaper goods or services provided from one country push old industries and manufacturing out of business in others, workers and money must be able to move to where it is needed, so the thinking goes. This requires globally mobile labour and capital. Thus the free movement of goods, services, capital and labour seem inextricably intertwined. In part this is why, within the EU's single market, these four freedoms are regarded as inseparable.<sup>18</sup>

It is important not to lose sight of this interconnectivity and the dramatic economic benefits that have flowed from it. Even as income and asset inequality has risen in almost every country, inequality across countries has fallen as emerging markets such as China and India have seen their per capita income levels grow rapidly since the 1980s. While there are domestic factors (e.g. investment, high savings rates, improved access to education and urbanisation), trade in goods and services has been a powerful driver of Asia's economic success and the catch-up process with advanced economies. Capital mobility has been integral to this, including the flow of capital into investment opportunities in low-wage countries, which can help stem economic migration, increase living standards and stabilise democratic institutions. In this manner, capital flows have the potential to reduce the global imbalances linked to resources, climate conditions and conflict that drive economic migration.

However, there is also a strong case to distinguish the free movement of goods and services from the free movement of people and capital and to focus in the current context on the latter. Most obviously, looked at from the perspective of economic production, goods and services are the fruits of production while people and capital are the means. Furthermore, people occupy a quite different moral status from the other three, while capital in the form of money also has a unique cultural and symbolic significance and

operates as a store of human power in a way that goods and services do not. But perhaps most importantly in the current context, the experience of the freedoms has also been different: whereas, as the very words 'goods' and 'services' suggest, greater access to them as a result of the freedom of movement can be seen as a good,<sup>19</sup> the impact of free movement of people and capital on the places from and to which they move is more nuanced.

For example, the free movement of people and labour mobility potentially involve familial and social dislocation and disruption and 'brain drain' in 'sending countries', and pressures on wages and public services, as well as the decline of cultural cohesion, in 'host countries'.<sup>20</sup> As Kirby Swales has shown in an analysis of the British vote in favour of leaving the EU, 'matters of identity were equally, if not more strongly, associated with the Leave vote [than demographics] – particularly feelings of national identity and sense of change over time.'<sup>21</sup> More generally, attitudes to immigration by indigenous populations, including in relation to the free movement of people within the EU, are linked to concerns about the cultural impact on the nation as a whole much more than they are correlated with personal economic circumstances.<sup>22</sup>

Moreover, capital mobility – in spite of its wider benefits to the aggregate economy – tends to favour those who already have assets, whether savings or skills. Indeed, according to the World Inequality Report 2018, the share of national income accruing to the richest 1 per cent in the USA increased from 11 per cent in 1980 to 20 per cent in 2014, while the entire bottom half of the US population got just 13 per cent.<sup>23</sup> Other advanced economies, such as the UK, Germany and France, have witnessed qualitatively similar though less pronounced trends in income and asset inequality.

Further, access to goods and services is fundamentally empowering. The receipt of capital can also be empowering, as can the freedom to move to find work. However, the impact of international movements of capital has also been profoundly disempowering: think of the fate of people losing their homes and struggling with debt following the onset of the global financial crisis in 2008 and the wider involuntary socialisation of losses involved in shoring up the financial system. The ensuing measures have reinforced the concentration of capital and power in certain regions, and to the benefit of specific groups, which undermines representative democracy. In addition, capital has not always been deployed in productive activities, whether in the communities most affected or elsewhere. And even if it were realistically possible or desirable from a social and cultural perspective to move in search of work, employment

may not be available. The idea of free movement of people can therefore ring hollow both for those expected to move and those communities expected to receive them.

Both within and across countries, there are growing regional disparities, which are deepening divisions but also point to potential solutions. For example, given that some parts of a country or a continent are capital-rich but have ageing populations, while other parts are capital-poor but have young populations, a common good approach is to try to move capital to people because the opposite is likely to entail greater dislocation.

Concerns of this sort have been apparent in a succession of referenda and elections across the Western nations, among them the EU referendum in Britain, elections in Austria, France, Germany and The Netherlands, and the 2016 US presidential election. As noted above, these processes have been characterised by a clash of unresolved differences. All have shown in different ways that there is a need to strengthen accountability to citizens and inspire participation in democratic systems. There is also a need to build economic models that ensure people get a proportionate share in a way that fosters the common good. However, in doing so it is necessary to find a framework within which people can work together across the differences. The idea that the common good is a precondition for personal flourishing, but can only be realised in practice together, provides just this. The present initiative is an attempt to engage in that practice based on the tradition of Christian social teaching.

### 1.3. Person, place, purpose

From that perspective, people are primarily social beings whose personhood grows out of relationships, not transactions, and who are engaged with others in pursuit of meaning. Such an anthropology suggests that people want to realise their potential, flourish in association with fellow human beings and lead rewarding lives.<sup>24</sup> This includes accumulating and consuming wealth but it extends to a sense of caring, earning and belonging. People care for family, friends, colleagues, neighbours and also strangers in their midst. They want to earn an income in order to feed themselves and their loved ones, but they equally want to earn respect and recognition for who they are and for what they contribute to community and country. Most people want to belong to particular places and they search for some measure of stability and a role in society. For most this involves favouring settled over nomadic ways of life; there may be journeys but, ultimately, even Odysseus wants to return home.

Free movement of people and capital can help in realising this, but it can also create a tension. For example, the free movement of capital can make it unnecessary for people to move in search of work. However, it can also have the opposite effect, as a major pull factor for migration. The backlash against economic globalisation in the Brexit and Trump votes seems in part to grow out of that, since it suggests that a sizeable part of the electorate do not want their national government to lose power over immigration or the national economy. Free movement is generating important issues of control, identity and meaning that are focused on the power structures apparently implicated in it: governments and big business. In each case, concerns about the legitimacy of decision-making and the extent of democratic accountability raise fundamental questions about the nature of state and market institutions. In the interests of legitimacy and accountability, the final say over managing migration and capital flows needs to lie with a public authority – either national government or a supranational body. Outside and to a significant extent inside bodies such as the EU, it is still the former rather than the latter, even if the practice of pooling sovereignty around a number of issues related to the economy is becoming more widespread.

In Christian social teaching this question of where authority should lie is approached through the principle of subsidiarity – locating power at that level that is most consistent with the dignity of the person. The EU treaties also make use of ‘subsidiarity’, but not in the same way. In Article 5 of the EU Treaty and other texts, subsidiarity implies that the Union is obliged to take action wherever it has an advantage in terms of scale or effect.<sup>25</sup> Not only does this invert the burden of proof and raise questions over who has the legitimate authority to decide, it also makes economic calculations a more primary concern than the well-being of society. It turns the meaning of subsidiarity on its head. From the family via intermediary institutions all the way up to the nation and community of nations and peoples, the primacy of humanity over the economy is central to Christian social teaching. As a result of EU legal interpretation and the priority of procedure over substantive policy, subsidiarity in the EU has increasingly operated as an engine of centralisation when it was supposed to be a device for devolving power to people.

Moreover, the EU’s functionalist conception of subsidiarity has bracketed substantive issues of purpose out of the question. But both capital and labour mobility are matters of justice and public philosophy – what is good and desirable for citizens, whether of Europe or its member states? Free movement of people involves questions about the balance between the



rights of immigrants and the legitimate concerns of citizens in host countries about their national identity, as well as about the mutual obligation to foster integration into adopted societies. Cross-border capital flows involve questions about wealth creation, the labour interest, accountability, the balance between internal ethos and external regulation, as well as the social, cultural and environmental consequences of financial interdependence. Both economic migration and capital movements concern the distribution of costs and benefits, the priority of transactions over relationships, the status of persons and money as commodities, as well as sovereign authority – who has the final say? These are questions of justice, which the following section explores.

## 2. Justice, virtue and the common good

### 2.1. What do we value?

Discussions about the free movement of people and capital raise questions about the things we value, such as prosperity, liberty and the flourishing of all. Values are social in the sense that they concern the relations governing society. Because of that, they also imply moral principles – certain conceptions of how we should treat one another. However, for values to work in this way at a social level assumes a shared standard, or at least a shared set of coordinates by which a society can resolve a clash of rival rights and conflicting values – rationally as much as through the practical exercise of feeling and habit. As the philosopher Alasdair MacIntyre argues in his seminal book *After Virtue*, it is precisely such a shared standard that Enlightenment modernity undermines because it assumes that there is no common conception of the good.<sup>26</sup>

Instead, Enlightenment approaches have tended to replace the good with individual rights; to replace a covenant between generations and groups within the body politic with a social contract among individuals who are assumed originally to be asocial and apolitical;<sup>27</sup> and to replace the practice of virtues, such as practical wisdom, with an appeal to foundational values. Examples include ‘life, liberty and the pursuit of happiness’ (as in the US constitution) or *liberté, égalité* and *fraternité* (since the French Revolution). The difference between virtues and values is that the former are embedded in practices and embodied in relationships, which give substance to other abstract principles, including certain values such as liberty or equality.

For MacIntyre, the fundamental contradiction of Enlightenment modernity is between two competing claims: a rational objective moral order that has universal validity on the one hand; and reducing all moral judgements to expression of personal preference on the other. As a result, moral judgements have increasingly come to express either a universal standard of reason independent of history or cultural context, or else nothing but the attitude and feeling of individuals. In short, the Enlightenment ethic of values can tend to oscillate between rationality and emotion, which leaves little room for a plural search for goods that are internal to human activities.

Without a sufficiently rich account of the human good (both as a matter of ends and practice), the idea of justice itself becomes debased: justice is either about maximising utility or about promoting freedom (or both at once), but

in each case questions about a worthwhile human existence or flourishing societies are bracketed from the court of public discussion. At their most stark, for Enlightenment frameworks, such questions have increasingly become either purely private or else determined by the impersonal forces of the central state and the free market.

Another way of saying this is to suggest that modern Enlightenment approaches focus on moral principles – how we should treat one another – but neglect two other sets of questions that concern the reason for asking the question in the first place:

First, what is it to live a worthwhile human life and lead a rewarding existence? Is there such a thing as the good life?

Second, what is a flourishing society as opposed to a collection of (un) happy individuals? Is there such a thing as the common good nationally and internationally?

## 2.2. Three rival ideas of justice

Three conceptions of justice can be distinguished: (1) maximising utility, defined as 'the greatest happiness of the greatest number'; (2) expanding freedom, defined in terms of individual liberties and rights; (3) promoting virtue and the common good, defined as the 'greatest good for all people', linked to human dignity and the holistic fulfilment of people as part of communities of true persons.

The first approach draws on the utilitarian philosophy of Jeremy Bentham and others, and it views the maximisation of utility as the main measure of justice. Utility can take the form of private happiness or collective well-being judged, for example, by some aggregate measure such as GDP, but the point is that utility deals with totals rather distribution – happiness for the greatest number more than the good of all.

The second approach focuses on freedom. It considers the respect for individual liberties and rights as the best means of attaining justice. Freedom tends to be conceived as the absence of constraints on people except for the law and private conscience, rather than the freedom to pursue a particular end.

The third approach views justice in terms of the common good, defined as a state of social relations in which the good of each and every one of us can be realised as we concretely are in our families, workplaces, communities,

nations and beyond. It emphasises the development of personal virtue as the basis of what it is to be fully human. In the tradition of Aristotle and many Christian thinkers, this means the human capacity to do good and pursue the goods inherent in each activity. It is therefore inherently connected with the common good – being a good parent, neighbour, employee, business owner or fellow citizen.

Models of justice based on utility and freedom have made an enormously valuable contribution to human flourishing, including the debate on the free movement of people and capital (as the following part of the essay will suggest in greater detail). The notion of utility is key to understanding the costs and benefits of free movement for groups or countries as a whole. The notion of freedom is central to the choice of individuals as they seek to improve their own conditions and those of others.

However, both these conceptions of justice are limited. Neither approach has much to say about what binds us together as social beings. Both are silent on what constitutes the good life. Instead, the assumption is that this is for everyone to decide individually, and not in association with others – let alone as part of a community within or beyond the nation. At the same time, the conditions for the individual pursuit of the good life are determined by the institutions of the state and the market with little popular assent and accountability to citizens. Therefore both models exclude from public debate questions about shared purposes or ends that can bind people together and shape the actions of persons or groups.

### 2.3. Virtue and the common good

An approach to justice based on virtue and the common good can enrich notions of utility and freedom and also complement them. As noted above, virtue means, broadly, the human capacity to do good and to pursue the goods that are specific to each activity – being a good parent, neighbour, employee, business owner or fellow citizen. This can perhaps best be understood as a mode of personal fulfilment and mutual flourishing. It seeks to fulfil one's character and to pursue purposes that are internal to human action in cooperation with others based on shared ends. To be virtuous is therefore to perform well by fulfilling a certain goal. So the question is not what we should do faced with such and such a situation, rather what we should consistently be doing *at all*. What sort of character do we want to be and how should we order this desire in an acceptable way to our relationships with others?<sup>28</sup>

By emphasising notions of goodness and purpose, a focus on virtue differs fundamentally from approaches to justice that accentuate the maximisation of individual and collective utility, or personal freedoms and rights, as Michael Sandel has shown.<sup>29</sup> Virtue offers a more holistic perspective that is not limited to purely instrumental values but extends to shared ends or finalities – things we can only attain in cooperative relationships with others. In this manner, virtue shifts the emphasis from regulating behaviour to fostering character. Virtuous action is not so much about moral codes of conduct or externally imposed rules and regulations. Rather, virtue marks the development of good habits through practice in collaboration with a supportive community based on shared values that are not imposed from the top down but emerge as part of civic institutions and social relationships.

At the heart of virtue are notions of excellence and ethos – the idea that people can reach their highest human potential and do so in ways that promote the flourishing of others too. This can be achieved with a set of institutions and practices that provide incentives and rewards for virtuous behaviour. However, it also involves inspiration, in particular in the form of the common good. It is in the pursuit of the good life that the complete expression of human potential for excellence is realised. Central to this pursuit are the virtues that define the character of a person. Character connects knowledge and skills to judgement. To foster character is to help people develop the ability to do 'the right thing' in response to dilemmas. However, this is less about problem-solving and more about what Aristotle called 'practical wisdom' (*phronesis*) – linking our motivations and values to purpose and the right course of action. In short, virtue promotes 'good doing' rather than 'do gooding', and it tries to help achieve wider ends by serving the needs and interests of individuals and society – the common good.

For Aristotle, the common good is both universal and particular. The ultimate and perfect end of human existence is happiness or *eudaimonia*, by which he means 'living and doing well'. This is the highest good because, first of all, it is desirable for and in itself; second, it is not desirable for the sake of some other good; third, all goods are desirable for its sake. However, the universal common good cannot be imposed by some people on to others. Instead it has to be freely chosen and reflect every person's unique vocation and talents. Moreover, there are particular common goods – all those activities that are good insofar as they promote 'living and doing well', not because they are what 'living and doing well' consists in. Put differently, there is the universal common good of *eudaimonia* and then there are particular, intermediate goods, which help us to pursue happiness.

The Christian tradition stresses the relational nature of the common good. All real goods are neither purely public nor exclusively private but realised within the relationships and institutions into which we are born. Thus the common good encompasses the good of each and every one of us as we concretely are in our families, workplaces, communities, nations and beyond. However, the universal common good is not some total aggregate of all individual goods. Rather, it exists insofar as people pursue the goods internal to human activities and strive for the ultimate end of happiness in the sense of individual fulfilment and mutual flourishing. The documents of the Second Vatican Council (1962–5) put this well:

The common good is the sum of those conditions of social life, which allow social groups and their individual members relatively thorough and ready access to their own fulfilment.<sup>30</sup>

Profound and rapid changes make it more necessary that no one ignoring the trend of events or drugged by laziness, content himself with a merely individualistic morality. It grows increasingly true that the obligations of justice and love are fulfilled only if each person, contributing to the common good, according to his own abilities and the needs of others, also promotes and assists the public and private institutions dedicated to bettering the conditions of human life.<sup>31</sup>

There is no better way to establish political life on a truly human basis than by fostering an inward sense of justice and kindness, and of service to the common good [...].<sup>32</sup>

Political authority, both in the community as such and in the representative bodies of the state, must always be exercised within the limits of the moral order and directed toward the common good – with a dynamic concept of that good [...] When authority is so exercised, citizens are bound in conscience to obey. Accordingly, the responsibility, dignity and importance of leaders are indeed clear.<sup>33</sup>

Catholic Social Thought also provides a helpful definition:

The common good does not consist in the simple sum of the particular goods of each subject of a social entity. Belonging to everyone and to each person, it is and remains 'common' because it is indivisible and because only together it is possible to attain it, increase it and safeguard its effectiveness.<sup>34</sup>

This definition suggests that there are several key components. First, the

common good is not a sum total. Second, the common good is indivisible. Third, sharing in the common good and contributing to it is a joint activity, not an individual action. Fourth, it is a process or practice as much as an end. Therefore a common good approach to justice differs from the impersonal justice of the utility-based model and the individualistic justice of the rights-based model by emphasising the extent to which justice is relational – the right ordering of relations in society.

For example, the common good can be found in our use of the 'commons' – common resources that are necessary to meet basic human needs and provide the conditions for a good life. They include (1) natural resources, such as a common land, water, air and energy sources; (2) cultural resources, such as knowledge, public buildings and other forms of inheritance; (3) economic resources, such as investment in activities that benefit the public at large (e.g. health, education, transport); (4) social resources, such as institutions and relationships through which people participate in society and flourish.<sup>35</sup> Of course, the way these can be seen as common resources differs: in particular (2) and (4) are greater than the sum of their individual parts and more fully relational than (1) and (3). However, the point is that many things we think of as discrete goods really are relational goods that transcend the binary between public and private goods.

Therefore the common good includes all the goods we hold jointly – from friendship via language to common land and 'social capital'; that is, the interpersonal relationships among people who live and work together. Such goods are relational and non-material, but they affect the production, exchange and enjoyment of material goods – whether momentarily with strangers or continuously with friends, colleagues or fellow citizens.<sup>36</sup> Economic transactions characterised by greater reciprocity and a balance of interests can improve the efficiency of business transactions and make them more robust. A more just economy can also be a more productive and efficient economy.<sup>37</sup>

In summary: appeals to utility and individual freedom are important, but they can ring hollow because such principles too often overlook the relationships with our family, friends, colleagues, fellow citizens or strangers, which provide substance to otherwise potentially vacuous values. By contrast, virtue and the common good encompass both individual fulfilment (the unique talents and vocations of each and everyone)

and mutual flourishing (the balance between personal autonomy and dependence on others). Such a perspective involves judgement about how flourishing of each and everyone should be pursued in the public sphere and what policy and institutional arrangements might be available that enable citizens to live a good life. Such questions are central to a sense of justice and fair play. This perspective also underscores the importance of the way those judgements are made: we need to make our way together, participating in a common conversation. Virtue and the common good provide both a reason and inspiration for that.



### 3.

## Insights and limits of utility-based approaches to free movement

Utility-based approaches are important in helping us to identify the economic costs and benefits of free movement and in reducing the former and realising the latter. A common good approach concerns the formation of practice by reference to broader ends, but is able to draw on utilitarian insight, at the same time bringing into account a greater range of benefits and costs.

### 3.1. On the utility of free movement of people

An approach focused on utility can help to clarify the economic benefits and costs of the free movement of people. More migration contributes to economic prosperity in global, aggregate terms. Migrants frequently move from countries with high unemployment and low productivity to areas where there is a scarcity of labour (high- or low-skilled) and higher productivity (largely due to more capital), which produces overall economic gains. These economic gains are realised not only in the 'receiving' host countries through contributions to national insurance, tax revenues, higher consumption spending and the softening of economic cycles, but also in the 'sending' countries in terms of alleviating poverty, receiving remittances and diversifying some risk related to economic shocks.

In the case of the EU and other developed economies, various studies have shown that migrants from poorer states tend to contribute more in tax and national insurance than they receive in terms of in-work or out-of-work benefits and public services.<sup>38</sup> They are also more likely to return home or move to other countries when economic conditions change and exchange rates make it more cost-effective to work elsewhere. Migrants of this sort tend to be younger, more mobile and therefore less likely to settle permanently abroad.<sup>39</sup>

Beyond the economic benefits, free movement of people can also be regarded as culturally and socially beneficial, among other things in terms of greater cultural diversity and the associated effects of new ideas, different tastes and opinions, and the renewal of communities by the arrival of those seeking a better life. The founding fathers of the European project hoped that the intermingling of people within Europe would lead to greater understanding between those of different backgrounds, so reducing the likelihood of future conflict and wars.

However, more economic migration can involve significant costs. The benefits of labour mobility accrue disproportionately and predominantly to business owners as compared with workers (and their dependants), especially those business owners who view more migration as little more than a means to less expensive labour and who ruthlessly exploit migrant workers (including work agencies with exploitative recruitment practices, contracts to circumvent national minimum wage levels etc.). Mervyn King has identified a tendency among some big corporations to hire already trained workers from abroad and pay them lower wages, rather than paying to train domestic workers.<sup>40</sup> More generally, immigration relieves the pressure on host countries to provide education and vocational training for their people. For instance, the NHS has effectively been subsidised by 'importing' doctors and nurses trained in lower-income countries, while the shortfall of clinically trained staff persists. Moreover, the impact on certain sections of the indigenous population can be negative in terms of job availability and pressure on wages – for example in the construction sector and the taxi business.<sup>41</sup>

Similarly, the evidence in terms of the impact of immigration on housing, health, transport and other public services in receiving countries is at best ambiguous: while more migration certainly adds to the demand for public services and in the short term can lead to shortages, it is also the case that supply tends to be the key issue and is much more a function of national fiscal policy choices than of economic migration. It is also important to recognise the differential impact of diverse types of immigration. In the case of the UK, the aggregate fiscal impact of immigrants from the European Economic Area (EEA) in the period 1995–2011 was positive, even during periods of budget deficits, whereas non-EEA immigrants, similar to the native population, took out more money than they paid in.<sup>42</sup>

Three further considerations are worth highlighting concerning the economic cost of more migration. First, a policy of attracting foreign migrant workers can exacerbate deprivation in the 'sending' countries by stripping them of professional skills and long-term working commitment – in short, 'brain drain'. It is true that migrants are often from very poor countries with dysfunctional institutions and would benefit from leaving, but there are also significant economic costs and social consequences of leaving. These include the uprooting of individuals and families, and rapidly ageing societies because young people have moved away.<sup>43</sup> An overly economic response to this – such as one that mitigates the impact of brain-drain using higher education loans so that the skilled repay the costs of their training – fails to address the underlying problem of social dislocation.

Second, more migration towards economically advanced countries will increase the populations of more densely populated and high-energy-consuming states (such as the Netherlands and the UK), potentially intensifying ecological and infrastructure strain.<sup>44</sup> Third, the impacts noted above are not confined to international migration but also affect states internally and have done so for generations. An example of this is migration from Ireland and Scotland to England and, more recently, the pull of London for people from the rest of the UK, which is also linked to wider trends of urbanisation and has important implications for the environment, housing, health and schools.

The costs and benefits of migration policy therefore have different effects in different countries as a function of demographics, education levels, development levels and fiscal policies. Because of this there is a strong argument to consider not just utility but also the common good with regard to immigration policy, and to do so at two levels: the humanitarian level, involving some similarities in the issues that need to be addressed in both sending and receiving jurisdictions; and the economic and social level, so that movement is managed in a way and at a pace that best suits both the locality of departure and that of arrival.

### 3.2. On the utility of free movement of capital

A utilitarian approach also helps to highlight important economic benefits and costs arising from capital mobility. The benefits of free movement of capital include efficiency, greater financial sector competitiveness, greater productive investment opportunities and innovation, as well as consumption-saving lifecycle smoothing, all of which boosts total growth and aggregate prosperity. This applies not just to localities and regions within individual countries but also to integrated economic spaces, such as the North-American Free Trade Area (NAFTA) and much more so the EU, because mobile capital increases cross-border investment, production and trade.<sup>45</sup> Forcing capital to stay where it cannot be used productively leads to waste, inflation, asset price inflation, hoarding or some combination of these.

More specifically, long-term 'patient capital' – invested as either long-term debt or equity in productive investment – can be hugely beneficial to both the provider and the recipient. For the provider, whether a pension fund seeking to earn a return for its members or a major corporation, they are likely to invest in foreign enterprise if there is a reasonable chance of higher returns than can be earned by investing in domestic business. Opportunities of this sort can arise from a greater need for productive investment abroad and the likelihood

of higher future growth in a foreign country than at home, or it can be due in part to higher risk premiums abroad. These benefits can accrue to those needing to provide for their long-term financial needs who are also able to diversify risk as compared with largely domestic investment.

For the recipients of international investment in a country where there would otherwise have been less investment capital, they can grow faster and provide more infrastructure, jobs and/or capacity building; they are no longer dependent on internally generated capital alone. Free capital flows also have a disciplining effect on governments to keep inflation down, particularly where finance is in the form of loans made in the local currency, since inflation reduces the value to the lender of the amount to be repaid. Greater price stability is likely to be economically beneficial. Building up productive capacity in low-wage countries is likely to strengthen those economies and benefit the people who get (good) employment. However, it is also likely to be harmful for higher-wage countries where plants are closed and workers lose their jobs. This trade-off has important implications for distributive justice and highlights the need also to consider the costs of capital mobility.

There are various reasons to question the wisdom of unlimited free movement of capital and to explore where the free movement of capital needs to be restrained. Six of them are outlined below. An approach based on economic utility can help in identifying them and quantifying the economic implications. A common good perspective recognises the value of this but draws on it to highlight a broader range of human, cultural and social implications:

1. 'Hot money': speculative, short-term flows used to 'bet' against currency appreciation or depreciation, particularly just around key political or economic events, do little or nothing for domestic economic prospects in the country concerned;<sup>46</sup> similarly 'carry trades', which play interest rate differentials in different countries, do more to damage domestic economic policy than to help it.<sup>47</sup>
2. Short-term disruptive effects: even where capital, defined as long-term investment will have beneficial long-term effects, it may have disruptive effects in the short term, whether that is crowding out domestic firms that can only raise funds at higher rates or artificially raising the cost of living or housing for domestic residents;<sup>48</sup> for example, the UK has become a magnet for capital from regimes with poor property rights (such as Russia, China and other state capitalist countries), which means that one possible response is to tax foreign 'investors' on the imputed rent.
3. Tilting the playing field: where tax, regulation or other means are used

to distort market flows, capital may move in unproductive ways simply to minimise tax, reporting or regulation. While some tax incentives, insurance or guarantee schemes can encourage investment where it might not otherwise naturally go, this 'cross-border subsidisation' can create huge opportunities for regulatory and tax arbitrage that serve no productive interest.<sup>49</sup> Moreover, they become a newer form of 'beggar-thy-neighbour' trade and tariff policies, only applied to capital flows.

**4.** Too much sovereign debt: there is a tendency for banks and bondholders to lend to countries to excess (or to businesses in those countries that are too important for the state not to support if they get into financial difficulties). If this money is not put to productive use (which is more likely to happen if it is excessive), it becomes increasingly difficult to repay. This can result in sovereign debt defaults and restructurings, usually leading to prolonged periods of economic hardship (e.g. Latin America in the 1980s and Greece more recently). Since the 2007 credit crunch, cross-border capital flows have fallen by 65 per cent but financial globalisation continues to proceed apace.<sup>50</sup>

**5.** Foreign takeovers can lead to asset stripping and closure of production sites that displaces workers and disrupts communities. It can also thereby suffocate innovative companies on which the economic future of countries depends.<sup>51</sup> Often this is linked to the structure of the domestic banking system, which does not channel sufficient capital into productive activities.

**6.** The evolution of finance – and many other industries – in recent decades has shown that international markets tend towards oligopoly, not competitiveness. Despite a process of more intensive regulation since 2007–8 and the greater separation of investment from retail banking, a wave of mergers and acquisitions in the financial sector has arguably entrenched the presence of conglomerates – and introduced a new set of institutions in the form of derivatives clearing houses – that are 'too big to fail'. This risks locking democracy into a logic of short-termism.<sup>52</sup>

Labour and capital mobility produces mixed results. A utilitarian cost-benefit analysis is undoubtedly important in helping to identify these. However, it misses key considerations. This includes the sheer distributional effects of more migration and capital flows on different sections of society – individuals, communities and whole regions within countries or transnational polities such as the EU – never mind the social and cultural implications of disruptive capital flows and of dislocated people.

## 4.

# Insights and limits of freedom-based approaches to free movement

Freedom is not merely one value among many but a fundamental principle for the dignity of the person and the common good in which all can share. However, in the contemporary context of cultural disagreements over the priority of rival principles (more individual freedom or greater equality?), how do different ideas about liberty inform public debate and policymaking? The two main conceptions of freedom are 'negative liberty' (the absence of constraints on personal choice except for the law and private conscience) and 'positive liberty' (the freedom to act on one's will in order to pursue a certain purpose). Applied to capital and people, the question is whether public policy should primarily remove constraints on free movement or whether it should help facilitate the pursuit of a shared purpose, such as the common good.

### 4.1. On the free movement of people

It is generally accepted that people are, or should be, free to leave their home country. However, in both theory and practice, the free movement of people is limited by the sovereign right of states under international law to restrict inbound cross-border migration. Over time this right has been qualified by universal human rights and conventions on refugees.<sup>53</sup> In the context of the EU, the four freedoms – the free movement of workers, capital, goods and services – were enshrined in the 1957 Rome Treaty in order to promote the reconciliation of former foes and prevent the return of nationalism focused on ethnic homogeneity or cultural sameness.

Some academics and activists have advocated that freedom to immigrate be added to the list of fundamental human rights. They assert the right to immigrate based on the idea of the universal freedom of all persons irrespective of origin to pursue a better life elsewhere. The call for an entitlement to immigrate is connected with the further claim that everyone is endowed with the right to live and work wherever they choose by virtue of their right to have equal access to social and economic goods.<sup>54</sup> While they accept that there may be circumstances in which this right to immigrate could be limited, they argue that these circumstances should be curtailed and predefined – rather than responding to party political preferences or swings in the public mood.

However, there are a number of objections to this line of reasoning. First

of all, the sheer variety of societies and local resources is such that the implementation of a global equality of opportunity is too abstract an idea to have moral purchase.<sup>55</sup> This is in no way to detract from the existing ability of people to migrate, which reflects the reality of 'failed states' and the negation of liberties that are necessary for a decent existence. Nor does it involve accepting the status quo. For Christians, there is also the belief in a universal brother- and sisterhood of solidarity, especially the preferential option for the poor. While at an individual level the moral imperative of solidarity as a result of our all being made 'in the likeness of God' may be held, this does not imply the obligation on the part of other states to accept migrants who are not fleeing war, persecution or other threats to their very survival, such as starvation or the consequences of climate change.

A second objection is that more migration leads to levels of diversity and a pace of change in the society of host countries that are incompatible with a measure of social cohesion, in particular the importance of 'mutual regard'; that is, a disposition towards reciprocal sacrifice that underpins the willingness to cooperate and redistribute resources. It is not diversity per se that is the issue, rather the sheer rate of change, which can undermine the social fabric on which peaceful co-existence and the hospitable integration of migrants depends.<sup>56</sup> This is potentially different in degree for immigrant societies such as the USA or Canada, but in all countries it is a matter of balancing competing interests and not privileging unilaterally either majorities or minorities.

Third, mass migration also has social and cultural implications for the 'sending' countries. As Rowan Williams suggests in a critical review of David Miller's book *Strangers in Our Midst*:

mass migration produces a weakening of ordinary civil solidarities. In countries obliged to assume that a significant proportion of their people will be abroad for an indefinite number of productive years – productive not only financially, but in terms of shared public service and responsibility – excessive mobility of working populations hollows out the civic space. These are societies that are often already economically and socially vulnerable.<sup>57</sup>

There is an obvious risk with this approach of 'outsiders' arrogantly thinking they can identify the best interests of other cultures. However, that risk is much diminished if the serious challenge of responsibility it implies is also acknowledged. As Rowan Williams writes:

do we have the resource and political will to make staying in

a sending country a credible option? In a world of spiralling inequality, the answer is no. In which case we cannot expect any falling off in the numbers knocking at our doors, and we had better formulate policies to manage this without violent coercion or collusion with prejudice. And we don't seem to be doing that, either.<sup>58</sup>

## 4.2. On the free movement of capital

Free movement of capital is an essential condition for the proper functioning of a market economy. In both theory and up to a point in practice, it enables a better and more efficient allocation of resources, fosters trade within and across national borders and facilitates the raising of capital for businesses. Indeed, free movement of capital is key to open, competitive and efficient markets in manufacturing, industry and services – including financial markets. Capital mobility is not simply a benefit for private-sector enterprise but supports individual saving, borrowing and investing and public-sector financing too. Capital flows can provide an important source of discipline for governments in managing inflation and debt, and it also allows people to move capital away from the clutches of corrupt, oppressive rulers who try to confiscate the assets.

The freedom to move capital across national borders is a fairly recent phenomenon. Prior to 1971, the US Dollar was tied to gold and subject to de facto capital controls, until the so-called 'Nixon shock' that replaced the Bretton Woods system with the current regime of freely floating fiat currencies.<sup>59</sup> In Britain, much banking and finance tended to be predominantly national in scope, not least because of restrictions in other countries that made it difficult to carry on business cross-border. That began to change with the removal of capital controls in 1979, the relaxation of domestic lending restrictions in the early 1980s and the 1986 'Big Bang', when banks were deregulated and began to operate in an increasingly international economy.<sup>60</sup>

More recently, in the European context the free movement of capital did not really exist in practice until the second half of the 1980s (after the transformation of the common market into the single market following the Single European Act). That was followed by the introduction of cross-border financial services 'passport' regimes during the 1990s. These made it increasingly easy for a financial institution in one EU member state to do business with clients in other EU member states ('host states') without



needing to be separately authorised in the host state, as had often been necessary prior to that. The full liberalisation of capital movement was enshrined in the 1992 Maastricht Treaty. These moves towards greater levels of cross-border capital flows were, and continue to be, underpinned by rapid technological development.

However, capital mobility is far from absolute, even after nearly four decades of deregulation and liberalisation, and it has recently declined in the wake of the 2007–8 financial crash.<sup>61</sup> Indeed, after a decade of financial disruption, organisations such as the IMF are now beginning to warn about the impact of free capital movement:

Rapid capital inflow surges or disruptive outflows can create policy challenges. Appropriate policy responses comprise a range of measures, and involve both countries that are recipients of capital flows and those from which flows originate. For countries that have to manage the macroeconomic and financial stability risks associated with inflow surges or disruptive outflows, a key role needs to be played by macroeconomic policies, including monetary, fiscal, and exchange rate management, as well as by sound financial supervision and regulation and strong institutions. In certain circumstances, capital flow management measures can be useful. They should not, however, substitute for warranted macroeconomic adjustment.<sup>62</sup>

There remain important restrictions on capital mobility as a result of, among other things, national taxation, prudential supervision, public policy considerations (e.g. in relation to foreign takeovers in countries such as France), the need to fight financial crime (e.g. money laundering) and the operation of international financial sanctions (e.g. against Iran or Russia). The other potential restriction is the simultaneous extension of the free market and state intervention, notably state intervention to regulate newly created markets (e.g. regulations of derivative trading). There are also more direct governmental interventions (although these are increasingly coordinated at an international level within organisations such as the Financial Stability Board). Some of these recognise more explicitly the broader relational dimension of economic and financial activity including, for example, restrictions on using derivatives to speculate in commodities (which can have a negative impact on the price of food and raw materials).<sup>63</sup> However, to the extent the process of liberalisation and its limits is referenced to an understanding of some form of common good it seems to remain largely implicit.

In short, what is missing is an approach to the mobility of both people and capital that is based on virtue and the common good – a balance of interest in pursuit of the good life for all. That itself requires a plural search for what the good life means, not a single conception imposed by some on everyone else.

## 5.

# A common good approach to free movement of people and capital

## 5.1. People and money are not commodities

A common good approach to free movement has to begin with the recognition that neither people nor capital are mere commodities. Refugees and migrants should not be viewed as anonymous and deracinated economic agents, uprooted from their linguistic, familial, cultural and religious hinterland. Rather, most if not all are deeply invested in their identities and long to be recognised within a host country and its political system and culture. And those who wish to return eventually to their countries of origin do not seek a nomadic existence elsewhere and do not want their families to be rootless. Likewise, those in the communities into which refugees and migrants move have similar social ties and aspirations.

Similarly, capital is not just a set of abstract numbers. Rather it reflects value – the value of people's savings, investment and also the value of human labour, which enhances the value of capital. As the political economist Karl Polanyi reminds us, money was not always seen as a commodity but as a repository of both symbolic and material meaning, of both value and values.<sup>64</sup> Far from being a 'neutral' or 'amoral' commodity, capital embedded in productive and commercial trading activities is a key part of an economy that serves the needs and interests of people: this connection with human good means that money itself, as well as its creation and use, has profound moral significance.

Of course capital is fungible in a way that people are not. However, the free movement of both involves dislocation with positive and negative effects, which means that even on grounds of utility and negative freedom the mobility of money and people has to have limits. Utilitarian- or rights-based approaches to deciding what those limits should be can tend to slide into a cost-benefit analysis that ignores vital questions about the nature and the purpose of politics and economic life. By way of contrast, in the tradition of Aristotle and St Thomas Aquinas, human beings are political and social beings who are born into relationships and institutions. And the economy is not a separate sphere but starts with the management of the household (*oikonomia*) and forms a nested union with the polity.

Therefore, in different ways people and money are rooted rather than free-floating. Human beings are embedded in social and cultural ties – even though they should not be constrained by them – and money is part of

productive and trading activities. If they are not commodities, then they must have intrinsic worth and a wider purpose. On that basis, it is the reasoned and purposeful movement of people and capital that need to be considered in our democratic debate.

This means that an approach to free movement has to be concerned with more than utility or liberty if we are serious about greater democracy in the economy and good outcomes for all. An approach focused on the ethics of virtue and the common good would make distinctions between different kinds of migration and capital. In terms of migration, this would need to be looked at from the perspective of both the freedom and dignity of the individual and the impact of his or her movement on others. As the All-Party Parliamentary Group (APPG) on Social Integration suggests, it is important to distinguish between refugees who flee war and escape persecution, and migrants who leave behind deprivation and are in search of better opportunities for themselves and their families.<sup>65</sup> While the plight of refugees and asylum seekers is often a humanitarian catastrophe, the situation of many economic migrants is dire but not as desperate. And while stable and prosperous societies have a moral duty to welcome the former and provide them with proper help (not least because countries contribute to migration through their foreign policy, arms sales etc.), they do not have the same obligation to accept migrants.

One main reason is the phenomenon of 'chain migration', which refers to a tendency of new immigrants to settle in areas with a high immigrant concentration. According to the report *Integration Not Demonisation* by the APPG on Social Integration, this can lead to a situation whereby:

immigrants living within socially segregated areas experience fewer incentives to improve their English language skills or to learn about the cultural practices of the settled population. This leads these individuals – naturally seeking a sense of belonging and security in spite of their separation from the community at large – to develop exclusive social networks and alternative labour markets, which in turn alienates host communities and entrenches social segregation.<sup>66</sup>

In a vibrant democracy the three branches of government – the executive, the legislature and the judiciary – together with civic institutions have to balance the interests of different groups and provide a context within which, through dialogue and practice, those different interests can find such a balance with a view to the common good. That balance is one between the dignity and freedom of persons, and solidarity and social cohesion.

In relation to money, there are various categories of capital – more productive or more speculative – on a wide spectrum where differences of degree become at some point qualitative. Just as money can support individual fulfilment and mutual flourishing, so too it can drive division and despair or, in the case of financial speculation, be wagered in search of more money, detached from productive purpose. What distinguishes one from the other is the framing of economics by a vision of the common good. As Justin Welby has suggested, in the UK and other advanced economies we are witnessing:

a turning away from the early and tentative questioning of the underlying ethical values of economics, and a resumption of the debt-fuelled, crisis-creating model that led us into such trouble in the past. Ethics have become (particularly in our political discourse) an economic enhancement, valued but not fundamental.<sup>67</sup>

Welby describes this in terms of a fundamental distinction between Christ and Mammon: the power of unconditional love that sets human beings truly free versus the power of money that enslaves us to seek mere material advancement:

economics, as an alias of Mammon, should also be subordinated to Christ, which means being controlled and led by an ethic that seeks human flourishing. This has been exemplified in the great system of Catholic Social Teaching as developed over the past 125 years.<sup>68</sup>

However, it is not necessary to share his particular frame of reference to understand the human force of this.

## 5.2. The contribution of Christian social teaching

The quest for human flourishing is clearly not the same as self-interest and individual advancement. It implies a sense of obligations to others and their flourishing too. Flourishing can only be fully realised in the context of the common good. Obligations to others involve loyalty and sympathy with the people around us – family, neighbours, colleagues, fellow citizens and people from elsewhere. Indeed, the strangers in our midst really can be our neighbours. At the same time, not all men and women have an equal claim to people's affections. Christ's injunction to love our neighbour as ourselves does of course extend to the stranger, but it does not abolish the importance of kin, tribe and nation, and the interpersonal relationships of reciprocity.

In a business and financial context, this sense of balance with a recognition of obligations to others would involve, broadly, putting capital to use for

purposes that enable human flourishing, while still producing a return for those who have invested in the business. The relationship can be seen most clearly perhaps in the case of businesses described as 'social enterprises'. These are businesses that consciously prioritise addressing some sort of social or environmental challenge as the substance of the business while earning a return in doing so. In other words, they involve purposeful long-term investing and business strategies that balance non-financial and financial outcomes, so that the latter are only part of their purpose. However, most business activity does, of course, involve meeting human needs in one way or another, both those of customers and the needs of those who engage in the business or otherwise rely on it. A wider purpose of some sort, and some element of balance, is implicit. Because of that, a common good approach is warmly affirming of good business activity.<sup>69</sup> However, the question that needs to be addressed is the extent to which a business recognises the need to find this balance in the context of its core activities, since the results are potentially qualitatively different.

Similarly, in the case of people movements, borders should never be seen as absolute or confined to the territorial boundaries of sovereign states. A sense of community and shared 'social imaginary' (Charles Taylor) often extends across national frontiers – especially in the case of Europe and its ties to other countries (much more so than, say, Japan). At the same time, borders matter to people's identity and therefore cannot be seen as entirely arbitrary either. In the Christian tradition there is a balance between belonging to particular places and people on the one hand, and belonging to a universal human community on the other.

Here it is instructive to draw on the tradition of virtue ethics that we owe to the fusion of Greco-Roman philosophy (the four classical virtues) with biblical revelation (the three theological virtues).<sup>70</sup> In particular, we can learn much from Aristotle's idea of the 'radical' middle way – the way that charts an alternative to the excess of a characteristic associated with a virtue (too much courage leads to recklessness) or a deficiency in it (too little courage entails cowardice). Applied to the question of free movement of people and capital, the middle way is between xenophobia, chauvinism, discrimination, nationalism and protectionism on the one hand, and a lack of regard for one's own country and its people and the privileging of foreigners over fellow citizens on the other. Another way of saying this is to suggest that we need an alternative to both egotism and altruism because neither is relational – either denying the other or the self, both of which are essential to relationship – and both fail to

uphold the principle of reciprocity or gift-exchange.

Pope Francis puts this well in relation to the question of free movement of people. He has called on states and citizens not only to welcome refugees who face persecution or extreme economic hardship but also to provide assistance to countries whence migrants originate, in order to allow people to stay at home:

The Church stands at the side of all who work to defend each person's right to live with dignity, first and foremost by exercising the right not to emigrate and to contribute to the development of one's country of origin.<sup>71</sup>

In other words, the emphasis should be on tackling the causes of economic migration rather than limiting ourselves to the management of its effects.

Beyond the choice between an open- and a closed-door policy for people or money, Christian social teaching reminds us that mercy and compassion have to be combined with assistance for people in their own countries and programmes of integration that take into account the rights and duties of all – indigenous people and migrants alike, or business owners and workers. This is exactly why the EU has a regional development policy and countries have foreign aid policies. Developing and increasing those so that conditions in home countries improve is the best discouragement to mass migration, but many people who want to cut immigration also want to cut foreign aid.<sup>72</sup> By the same token, initiatives such as the UK's Migrant Impact Fund (under Gordon Brown) and the Controlling Migration Fund (under Theresa May) might be part of a wider recognition that host countries face economic challenges in welcoming migrants. However, what is missing is a greater recognition of the cultural impact of the volume and pace of migration on communities, which are composed of both indigenous and immigrant populations.

In summary, a common good approach tries to be more holistic about the free movement of capital and people. Beyond utility and freedom, this approach rejects the idea that money and migrants are mere commodities and instead views them in more relational terms and as having intrinsic worth or value. The following section outlines some practical implications and policy ideas that flow from a common good perspective.

## 6. Policy ideas and next steps

The common good approach developed in this essay is about a plural search for the shared purposes that bind people together and help them flourish individually and socially. It draws on the ongoing work of numerous institutions and groups, and it aims at supporting and encouraging all those who advance such a common good perspective. The policy ideas and next steps outlined below need to be seen in that context. They are intended to contribute to a national conversation, which this initiative seeks to encourage in partnership with the Churches, faith communities, other intermediary institutions and people of good will. The aim is not simply to reframe the debate about the free movement of capital and labour: Rather, it is hoped that doing so will help to support the development and renewal of common good practices both as an end in itself and as a fertile ground for the formulation, adoption and implementation of fresh reforms.

### 6.1. Policy principles

The common good approach outlined in this essay rests on three principles. These underpin the policy ideas that follow. The first principle is subsidiarity, which means taking decisions on the free movement of people and capital at the level closest to those involved, in a manner that respects the dignity of the person and the dignity of work. In practice this means working out where international cooperation is the right place for decision, when it is the national level and when it is the regional or local level. Even more important than the level of action is the balance of interest and the distribution of power between different authorities, institutions and groups, which is of particular importance within the EU, where sovereignty is pooled among different bodies. However, as noted above, a treaty commitment to subsidiarity has not prevented a process of centralisation, which is part of the reason for growing Euroscepticism and popular demand for repatriating powers from the EU to the national level.<sup>73</sup>

The second principle is solidarity, which focuses on the importance of interpersonal relationship and the role of fraternity or fellowship in making and implementing decisions. In practice this requires (1) a greater attention to virtuous leadership – opinion formers and decision-makers leading by example; and (2) popular participation – more involvement of people where they are in their communities and professions. As noted, this initiative seeks to support and nurture such a national conversation and the development of cooperative practices.



The third principle is reciprocity or give-and-receive, which shifts the emphasis to the importance of honouring the contribution people can make to society – whether through work, providing care (children or the elderly) or in other ways. In practice this means a greater balance of interests between different parts of society in organising neighbourhoods, communities, professions, for example by reforming the governance arrangements of businesses, trade unions, local government, the civil service and so on.

These three principles translate into a primacy of society over politics and the economy – and giving priority to intermediary institutions where personhood and community can be worked out. Among other things, this means that the Church, the other faith communities and civic organisations could and should play a greater role in helping government and business towards interpersonal solutions that contribute to the common good. One key task is to break down existing siloes and find more common ground among apparently estranged interests.

An approach of this sort would involve moving the focus away from administrative procedure and policy process and on to the shaping of character, the nurturing of behaviour and the building of institutions that are not subject to short-term party political pressure but reflect the longer-term national interest. Possibilities include the greater use of Royal Commissions – and perhaps Royal Colleges for vocations that currently lack any representation, such as carers, cooks, cleaners or security guards – as a means of facilitating engagement in the process of determining the common good. National institutions such as the BBC also provide space for interaction of this sort, and could do more. However, and perhaps more importantly, the role of civil-society institutions committed to the common good needs greater recognition and encouragement. This includes the possibility of churches, not limited to the Church of England, helping to foster a national dialogue in association with people of all faiths and none. The task is to create a new partnership between them and state and market actors, so that people of good will can participate with the active support of key institutions.

## 6.2. Policy ideas

A key message of this essay is the importance of seeking to draw all into common good discourse and practice, as the basis for realising the common good. However, there is also a need to identify what a common good approach might mean for public policy, and specifically in the area covered by this essay: the free movement of people and capital.

The following policy ideas have emerged from the conversations undertaken in preparing this essay. They are not the ideas of any one individual, nor do they represent a consensus of opinion among those involved in the discussions. In that sense, while some are more refined than others, they are work in progress – a snapshot of an ongoing conversation, which now needs to be extended. Nor are they intended to represent a comprehensive programme for addressing all of the issues created by the free movement of people and capital. Rather, they are advanced here to provide examples of how a common good perspective might shape policymaking.

In some cases the policy ideas pick up on work that is already being undertaken or discussed. However, even in these cases a common good approach helps us to think differently about the ends being sought and the way they are pursued by placing both within a different framework, with the possibility of qualitatively different results. The overarching aim of the policy ideas is nonetheless to achieve a better balance between personal freedom and social solidarity, and thereby greater justice in terms of the common good – the various goods we hold together within the institutions and relationships that make up society.

## **I. A national conversation**

In view of the importance of social discourse and practice in realising the common good, a national conversation is needed on the main priorities of government and the guiding principles of public policy. This could take the form of 'town hall'-style meetings in England, Wales, Scotland and Northern Ireland over the next two years, with the involvement of, among others, the BBC to help provide a framework.

## **II. Reforming the free movement of people**

Labour mobility is often seen as a necessary condition for the functioning of markets within the global economy; globally mobile capital, goods and services are regarded as needing equally mobile labour. However, this tends to assume that workers and their family members are like commodities. By contrast, this essay argues that humans are social beings who are embedded in relationships and institutions. Since some parts of a country or a continent are capital-rich but have ageing populations, while other parts are capital-poor but have young populations, a common good approach would be to try as much as possible to move capital to people because the opposite is likely to entail greater dislocation. Of course, some degree of labour mobility is important

for the exercise of personal freedom and the flourishing of people as they seek to improve their conditions and those of the people closest to them. But the common good perspective emphasises the intrinsic worth of people rather than their functional, instrumental value, and the importance of relationships in realising that worth. The policy ideas outlined below try to apply this perspective to the question of economic migrants, not refugees or asylum seekers.

1. **Restore and extend the Future Jobs Fund** scheme by central government to provide subsidised training, apprenticeships and employment places.
2. **Introduce a requirement that businesses train two local people for every one person they hire from abroad**, including a system of incentives and rewards (e.g. tax breaks, preferential access to public tender) that reflects sectoral- and industry-specific needs.
3. **Regulate employment agencies** in such a way that they need a license (abolished in 2004); expanded resources for the inspectorate to ensure that they abide by the 'resident labour market test' (employers cannot hire directly from abroad but have first to advertise vacancies domestically and give preference to domestic candidates, both indigenous and immigrant, who live in the UK permanently).
4. **Introduce a local and regional public interest test for economic migration**, identifying both specific economic and social needs as well as the capacity to integrate newcomers:
  - (a) economic and social needs would be defined not simply in terms of particular skills but also encompass wider common good measures such as demography and indicators of well-being of both the indigenous and the immigrant population;
  - (b) the capacity to integrate would take into account existing levels of migration and phenomena such as 'chain migration' (high concentration of immigrants and high levels of social segregation);<sup>74</sup>
  - (c) a proper assessment of this capacity would have to include a newly designed 'threshold of community cohesion' that reflects as far as possible the common good of residents – indigenous and immigrant;
  - (d) key to the success of such a test is a participatory and consultative process that reflects the understanding, perceptions and concerns of local people;<sup>75</sup>

(e) such a test would be subject to national legislation that guards against discrimination (on grounds of age, disability, marriage and civil partnership, race, religion or belief, sex, and sexual orientation); no single group would have a veto; the common good would require a better balance of interests.

5. **Create local and regional immigration bodies**, composed of existing elected representatives (mayors, local authority officials and ministers of devolved government) and also of employers' associations, trade unions and representatives of local communities (including faith groups), with an advisory role in relation to work permits that would take into account sectoral- and industry-specific economic needs as well as the social and cultural contribution, which can be better captured by common good measures.
6. **Introduce a community sponsorship system for immigrants or a Newcomers Club**, which involves coordinators matching volunteers to newcomers, including families with other families and workers with employers, to aid integration and mutual understanding; this would build on the programme of community sponsorship in place for Syrian refugees (with the help of churches and community organisations) and could be modelled on the Canadian 'buddy' system for new immigrants. It would help find housing, work through bureaucratic processes with tax, NHS, schooling and local authorities that will be unfamiliar to newcomers. The mutual understanding gained from this will promote mutual flourishing.
7. **Increase funding for English language classes** and other ways of fostering integration (for example, some form of participation in an expanded national civic service for all new immigrants as well as the indigenous population), while also introducing a requirement that immigrants either speak English or enrol on to compulsory courses. For working adults, the obligation to demonstrate English proficiency, within a certain number of years after their arrival in the UK, would be a joint obligation of employer and employee. At the same time, make it a requirement that all UK residents learn one other language to competency level other than English in state schools to give them an improved understanding of other cultures.
8. **Establish a national bipartisan commission on education, skills and investment outside of London** that is tasked with addressing regional investment discrepancies and internal migration.

### III. Reforming the free movement of capital

The free movement of capital, whether in the form of finance from the financial sector or the investment of returns from commercial activity, is essential to business enterprise, which in turn is critical to human flourishing at multiple levels. A common good approach is therefore strongly encouraging of both, when carried on in a way that is consistent with that end. Further, as noted above, the principle of subsidiarity suggests that, to the extent it is possible and realistic for individuals and groups credibly to self-regulate or for standard-setting to be effectively undertaken by intermediating institutions, government should not intervene unless there is evidence of material shortcomings.

However, it is important that government and other intermediating institutions should consult broadly as to whether there are possible shortcomings. This includes active steps to canvas and engage with the views of those who may not volunteer them through the usual channels, and especially those who may feel they have no voice. The following ideas should therefore be understood in that context. They all concern the purpose for which capital is used or allocated, and how. In different ways they seek to place capital allocation firmly back into its social context so that finance and economic activity are directed towards personal and community flourishing. This contrasts with approaching markets as a form of detached 'neutral space' subject only to considerations of financial return and cost – something that has been seen to have the opposite effect.

- I. **Steps to clarify the purpose of financial and business activity**, in particular as it concerns personal and community flourishing,<sup>76</sup> in the UK this could build on the current round of ongoing corporate governance reforms,<sup>77</sup> including:
  - (a) greater legislative and regulatory attention to the idea that financial institutions carry on business subject to a social licence for financial markets;<sup>78</sup>
  - (b) asking public and large private business enterprises to publish a clear account of their purpose that addresses the societal function and value of their activities (both as a discipline for them and to help the broader populace make the connection);
  - (c) introducing a default assumption in the Companies Act 2006 that a shareholder in a company should be assumed to want the company run in accordance with good environmental, social and governance (ESG) standards, and that doing so is therefore consistent with their benefit.<sup>79</sup>

**2. Steps to discourage financial and business activity that is not consistent with that purpose.** This might include:

- (a) doing more to diversify the measures used in policy, financial and commercial decision-making (e.g. GDP, cost-benefit analysis, short-term shareholder financial return), so that decisions turn less on short-term financial considerations alone but take account of human well-being more broadly (which will often have longer-term financial implications in any event);<sup>80</sup>
- (b) further steps to discourage excessive speculative financial market activity (i.e. transactions that are essentially short-term financial bets), such as through variable regulatory capital charges where institutions choose to engage in it.<sup>81</sup>

**3. Steps to reduce the flow of 'hot money'**, for example by way of introducing country-specific capital flow management (CFM) measures (both residency-based and other measures) that reduce inflow surges, which contribute to systemic risk in the financial sector and/or endanger social and ecological resilience; such CFMs might include taxes on certain transactions and investments, with the aim of reducing short-term speculation and investment in unproductive assets such as domestic real estate.

**4. Fostering a greater diversity of legal structures through which financial and business activity can be undertaken.**<sup>82</sup> The aim would be twofold, but in both cases connecting financial and business activity closely with personal and social flourishing:

- (a) introduce structures that create a stronger relational link between business participation and the sharing of risk and reward;<sup>83</sup>
- (b) energise local communities to channel capital into serving the needs of people in those communities (e.g. social enterprises and cooperatives), making use of trustworthy local intermediating structures. Initiatives of this sort can sometimes be seen as marginal as compared with the interests of larger financial and business concerns. However, in view of the quality of their social engagement, perhaps it is time to learn from them.

**5. Further steps to focus capital allocation on regional and social funding needs,** in particular using targeted attempts to engage the altruistic aspirations of those who have benefitted most from global capital flows rather than simply relying on tax revenue. The aim would be to help absorb capital flow

and channel it into productive activities in the real economy, and especially in ways that reconnect financial and commercial activity with a clear social purpose. In particular this might include:

- (a) seeking to expand concepts such as green investment bonds<sup>84</sup> or social impact bonds<sup>85</sup> into different areas of business or social need and raising their profile significantly;<sup>86</sup>
- (b) fostering private regional investment funds and investment banks designed to support small-business activity in their locality.

**6. Revise company and investment law** in the UK, the EU and elsewhere to enshrine the duty of directors and investors to manage long-term social resilience risks (i.e. those arising from a fracturing of social relationships, whether through environmental damage, scandal or otherwise). Among other things, this could include:

- (a) a requirement on institutional investors (calibrated to their precise role in the investment process) to take account of ESG in any investment decision where these could positively affect the performance of a portfolio (whether in achieving a gain or avoiding a loss) or where they are neutral in terms of portfolio performance but where favouring one investment over another is likely to have a positive ESG impact;
- (b) a requirement to consult with end-beneficiaries on the extent to which positive ESG impact should be favoured even if it could involve a financial disadvantage.

**7. Strengthen the mechanisms for ensuring that societal interests are adequately taken into account, and can be seen by the public to have been taken into account,**<sup>87</sup> in the event of mergers and buyouts, including foreign hostile takeovers:

- (a) further consideration to revising the public interest test for takeovers,<sup>88</sup> for example by reference to whether the transaction could damage stakeholders of the sort referenced in section 172 of the Companies Act 2006 (judgements of this sort are challenging and any new powers would need to be proportionate, streamlined and subject to review and take account of the desirability of UK business engaging in merger activity in other countries and the UK's international treaty obligations);<sup>89</sup>
- (b) this could be supported by further adjustments to the UK takeover regime (e.g. by requiring a company that launches a takeover to

publish a prominent statement in the national press to foster broader public engagement setting out how the merger would benefit the target company's stakeholder interests in section 172 of the Companies Act 2006 and report thereafter on how those benefits have been realised);<sup>90</sup>

- (c) change the tax treatment of debt so that the choice between using a loan to finance a business as compared with issuing shares is more likely to be made for appropriate purpose and value and not tax effectiveness. Note also that the relationship between a business and its shareholders is different from that between a lender and a creditor.<sup>91</sup>

### 6.3. Next steps for St Paul's Institute

1. St Paul's Institute will run a public programme over the course of 2018 to address how the common good can be considered at the level of the citizen, the community, the nation and the world.
2. St Paul's Institute will work in concert with politicians, policymakers, universities, think-tanks, NGOs, financial institutions and others to generate acceptable, constructive and workable policy proposals that would give citizens a greater sense of agency in the creation of the society in which they wish to live.
3. In partnership with other organisations, St Paul's Institute will help to foster a national conversation involving a network of churches, other faith traditions and civic institutions around the country to further develop these proposals and consider how communities can help promote the common good, including discussion guides and 'town hall'-style meetings.



## Endnotes

- 1 John Milbank and Adrian Pabst, *The Politics of Virtue: Post-Liberalism and the Human Future* (London: Rowman & Littlefield International, 2016), on which this essay builds.
- 2 For opposing versions of essentially the same narrative, see Jeremy Cliffe, *Britain's Cosmopolitan Future*, Policy Network, May 2015, online at: <http://www.policy-network.net/publications/4905/Britains-Cosmopolitan-Future>; David Goodhart, *The Road to Somewhere: The Populist Revolt and the Future of Politics* (London: Hurst, 2017).
- 3 John Gerald Ruggie, 'International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order', in Stephen D. Krasner (ed.), *International Regimes* (Ithaca, NY: Cornell University Press, 1983), pp. 195–223.
- 4 David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2005).
- 5 Alasdair MacIntyre, *After Virtue: A Study in Moral Theory*, 3rd edn (London: Duckworth, 2000; first published 1981).
- 6 Michael J. Sandel, *Justice: What's the Right Thing to Do?* (London: Penguin, 2009).
- 7 According to recent academic research there is growing evidence that the cultural impact of immigration matters more for public attitudes than personal economic circumstances. For an overview, see Jens Hainmueller and Daniel J. Hopkins, 'Public Attitudes Toward Immigration', *Annual Review of Political Science* 17 (2014), pp. 225–49. By contrast, public policy tends to focus on the economic rather than the cultural issues – skills rather than identity. See e.g. the House of Commons Home Affairs Select Committee's January 2018 report, *Immigration Policy: Basis for Building Consensus*, online at: <https://publications.parliament.uk/pa/cm201719/cmselect/cmhaff/500/50002.htm>.
- 8 See <https://www.oecd.org/daf/inv/investment-policy/CapMovCodeBrochure.pdf>.
- 9 Philip Bobbitt, *The Shield of Achilles: War, Peace and the Course of History* (London: Penguin, 2003), pp. 213–42.
- 10 Bobbitt, *Shield of Achilles*, pp. 234–5.
- 11 Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston: Beacon Press, 2001; first published 1944).
- 12 Robert D. Putnam, *Bowling Alone: The Collapse and Revival of American Community* (New York: Simon & Schuster, 2000); Theda Skocpol, *Diminished Democracy: From Membership to Management in American Civic Life* (Norman, OK: University of Oklahoma Press, 2003).
- 13 Dani Rodrik, *The Globalization Paradox: Why States, Markets and Democracy Can't Co-exist* (Oxford: Oxford University Press, 2012); Dani Rodrik, 'The trouble with globalization', Milken Institute Review, 20 October 2017, online at: <http://www.milkenreview.org/articles/the-trouble-with-globalization?IssueID=26>.
- 14 While the concept of utility can encompass more than the economy, it nevertheless privileges all those activities that can be measured and aggregated, but measures like GDP fail to capture innovation, services and intangible goods. See Diane Coyle, *GDP: A Brief but Affectionate History* (Princeton, NJ: Princeton University Press, 2015); David Pilling, *The Growth Delusion: The Wealth and Well-Being of Nations* (London: Bloomsbury, 2018). Crucially, a utility-based approach ignores key questions about the purpose of wealth and human flourishing. See e.g. Susan Durber, Oliver

Pearce, Sue Richardson and Suzanne Ismail, *An Unquenchable Thirst for More: Faith and Economic Growth*, Christian Aid, January 2018, online at: <https://mediacentre.christianaid.org.uk/download/?id=2337&pn=003237091b05c0c342c41ab82b16486a-pdf>.

**15** In their book *The Captured Economy: How the Powerful Become Richer, Slow Down Growth, and Increase Inequality* (New York: Oxford University Press, 2017), Brink Lindsey and Steven Teles show how subsidies by the US federal government for corporations taking on debt, together with support for the growth of Wall Street through deregulation, have helped to generate a bubble economy of boom and bust that brings about significant economic dislocation. Moreover, a very substantial proportion of global finance involves using other people's money to trade largely with itself: taking deposits and lending to industry accounts for only 3 per cent of assets on the balance sheets of UK banks, while international foreign exchange trading is nearly 100 times the volume of commerce in goods and services. This might suggest a form of systemic capture, with activity driven for the benefit of those within it. See John Kay, *Other People's Money: Masters of the Universe or Servants of the People?* (London: Profile, 2015), pp. 80–140.

**16** In mainstream economics and law the notion of abstract individuality disembedded from relationships and institutions is nowadays applied to corporations as well as persons.

**17** Zygmunt Bauman, *Does Ethics Have a Chance in a World of Consumers?* (Cambridge, MA: Harvard University Press, 2008), p. 72.

**18** The freedom of movement of people was originally restricted to the free movement of workers but was effectively expanded to cover persons generally with the introduction of European Union citizenship in the Maastricht Treaty 1992. The nature of the freedom was elaborated on in 2004 as a result of Directive

2004/38/EC.

**19** It is not intended to suggest that it should be or is seen as an unqualified good. For example, the free movement of products and services can be socially and culturally disrupting.

**20** Ruben V. Atoyán et al., 'Emigration and its Economic Impact on Eastern Europe', IMF Staff Discussion Paper, July 2016, online at: <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2016/12/31/Emigration-and-Its-Economic-Impact-on-Eastern-Europe-42896>.

**21** Kirby Swales, 'Understanding the Leave Vote' (London: NatCen Social Research/UK in a Changing Europe, 2017), online at: [http://natcen.ac.uk/media/1319222/natcen\\_brexplanations-report-final-web2.pdf](http://natcen.ac.uk/media/1319222/natcen_brexplanations-report-final-web2.pdf); see also Harold Clarke, Matthew Goodwin and Paul Whiteley, *Brexit: Why Britain Voted to Leave the European Union* (Cambridge: Cambridge University Press, 2017), pp. 146–74.

**22** Hainmueller and Hopkins, 'Public Attitudes Toward Immigration'.

**23** See <http://wir2018.wid.world/files/download/wir2018-summary-english.pdf>.

**24** See Millbank and Pabst, *Politics of Virtue*, pp. 69–90.

**25** Philip Booth and Diego Zuluaga, 'Subsidiarity Needs to take its Rightful Place in the EU', *Reimagining Europe*, 24 February 2016, online at: <http://www.reimaginingeurope.co.uk/subsidiarity-needs-to-take-its-rightful-place-in-the-eu-2/>.

**26** MacIntyre, *After Virtue*, pp. 1–30.

**27** Whereas the modern social contract assumes that originally isolated individuals are linked by laws and economic contract, the notion of covenant in the biblical tradition reflects the idea that human beings are political

beings who are bound together by social and cultural ties between the generations.

**28** Milbank and Pabst, *Politics of Virtue*, pp. 1–9, 69–90.

**29** Sandel, *Justice*, pp. 3–30, 244–70.

**30** Adapted from *Gaudium et Spes* (GeS), §26.

**31** GeS, §30.

**32** GeS, §73.

**33** GeS, §74.

**34** *Compendium*, §164, 2.

**35** Anna Coote, 'Building a New Social Commons', online at: <http://neweconomics.org/2017/05/building-new-social-commons/>.

**36** Relational goods involve three properties: reciprocity (give-and-receive); gratuitousness (the sole purpose of a relational good is the relationship, not some return); and the good (relational goods are not commodities that have a market price).

**37** Luigino Bruni and Stefano Zamagni, *Civil Economy: Another Idea of the Market*, trans. N. Michael Brennan (Newcastle: Agenda Publishing, 2016), esp. pp. 101–12.

**38** See e.g. a report by the OECD, 'Is migration Good for the Economy?', May 2014, online at: <https://www.oecd.org/migration/OECD%20Migration%20Policy%20Debates%20Numero%202.pdf>.

**39** Christian Dustmann and Joseph-Simon Görlach, 'The Economics of Temporary Migrations', Centre for Research and Analysis of Migration Department of Economics, University College London, Discussion Paper Series CPD

03/15, online at: [http://www.cream-migration.org/publ\\_uploads/CDP\\_03\\_15.pdf](http://www.cream-migration.org/publ_uploads/CDP_03_15.pdf).

**40** Mervyn King, *The End of Alchemy: Money, Banking and the Future of the Global Economy* (New York: W.W. Norton, 2016). This may mean that policy remedies need to be on levels of business taxation and regulation rather than on labour in order to ensure that the benefits are more equitably shared than is the case at present.

**41** Atoyan et al., 'Emigration and its Economic Impact on Eastern Europe'.

**42** Christian Dustmann and Tommaso Frattini, 'The Fiscal Effects of Immigration to the UK', *The Economic Journal* 124 (2014), pp. 593–643.

**43** Paul Collier, *Exodus: How Migration is Changing Our World* (Oxford: Oxford University Press, 2013), pp. 179–229.

**44** David Miller, *Strangers in Our Midst: The Political Philosophy of Immigration* (Cambridge, MA: Harvard University Press, 2016).

**45** IMF, *The Liberalization and Management of Capital Flows: An Institutional View*, May 2012, online at: <http://www.imf.org/external/np/pp/eng/2012/111412.pdf>.

**46** See the final report by the EU high-level expert group on sustainable finance, published in January 2018, online at: [https://ec.europa.eu/info/sites/info/files/180131-sustainable-finance-final-report\\_en.pdf](https://ec.europa.eu/info/sites/info/files/180131-sustainable-finance-final-report_en.pdf).

**47** Davide Furceri, Stéphanie Guichard and Elena Rusticelli, 'Episodes of Large Capital Inflows and the Likelihood of Banking and Currency Crises and Sudden Stops', OECD Economics Department Working Paper No. 865, 2011; Guillaume Plantin and Hyun Song Shin, 'Destabilizing Carry Trades', LSE SRC

Discussion Paper No. 17, 2014.

**48** OECD, *International Capital Flows: Structural Reforms and Experience with the OECD Code of Liberalisation of Capital Movements*, June 2011, online at: <https://www.oecd.org/economy/48972216.pdf>.

**49** OECD, *Open and Orderly Capital Movements: Interventions from the 2016 OECD High-Level Seminar*, 2017, online at: <https://www.oecd.org/daf/inv/investment-policy/Open-and-Orderly-Capital-Movements-2017.pdf>.

**50** Richard Dobbs, Susan Lund, Jonathan Woetzel and Mina Mutafchieva, *Debt and (Not Much) Deleveraging*, McKinsey Global Institute, February 2015, online at: <https://www.mckinsey.com/global-themes/employment-and-growth/debt-and-not-much-deleveraging>; Susan Lund, Eckart Windhagen, James Manyika, Philipp Härle, Jonathan Woetzel and Diana Goldshtein, *The New Dynamics of Financial Globalization*, McKinsey Global Institute, August 2017, online at: <https://www.mckinsey.com/industries/financial-services/our-insights/the-new-dynamics-of-financial-globalization>.

**51** Aeron Davis, David Offenbach, Richard Stevens and Nick Grant, *Takeovers and the Public Interest*, Policy Network, July 2013, online at: <http://www.policy-network.net/publications/4435/Takeovers-and-the-Public-Interest>.

**52** Kay, *Other People's Money*, pp. 80–140.

**53** For an overview of the international legal principles, see David Rouch, 'International Legal Principles Governing the Free Movement of People', briefing documents for St Paul's Institute, online at: <http://www.stpaulsinstitute.org.uk>.

**54** For example, see Kieran Oberman,

'Immigration as a Human Right', in Sarah Fine and Lea Ypi, *Migration in Political Theory: The Ethics of Movement and Membership* (Oxford: Oxford University Press, 2016), pp. 32–56.

**55** David Miller, 'Is There a Human Right to Migrate?', in Fine and Ypi, *Migration in Political Theory*, pp. 11–31.

**56** Collier, *Exodus*, pp. 57–134.

**57** Rowan Williams, 'Stick or Twist: The Hard Problem of Migration', *New Statesman*, 16 December 2016 – 5 January 2017, p. 87, online at: <https://www.newstatesman.com/culture/books/2016/12/what-does-good-21st-century-immigration-policy-look>.

**58** Williams, 'Stick or Twist', p. 89.

**59** Peter M. Garber, 'The Collapse of the Bretton Woods Fixed Exchange Rate System', in Michael D. Bordo and Barry Eichengreen (eds), *A Retrospective on the Bretton Woods System: Lessons for International Monetary Reform* (Chicago, IL: University of Chicago Press, 1993), pp. 461–94.

**60** Ewald Engelen, Ismail Ertürk, Julie Froud, Sukhdev Johal, Adam Leaver, Mick Moran, Adriana Nilsson and Karel Williams, *After the Great Complacency: Financial Crisis and the Politics of Reform* (Oxford: Oxford University Press, 2011).

**61** Lund et al., *New Dynamics of Financial Globalization*.

**62** IMF, *Liberalization and Management of Capital Flows*. Cf. Glenn Hoggarth, Carsten Jung and Dennis Reinhardt, 'Capital Inflows – The Good, the Bad and the Bubbly', Bank of England Financial Stability Paper No. 40 (October 2016), online at: <https://www.bankofengland.co.uk/-/media/boefiles/financial-stability-paper/2016/capital-inflows-the-good-the-bad-and-the-bubble>.

pdf?la=en&hash=F7A5CA99567C89E1638BECB29D2F59EE3D50F480.

**63** See Title IV of Directive 2014/65/EU of the European Parliament and the Council on markets in financial instruments, or 'MiFID II'.

**64** Polanyi, *Great Transformation*, pp. 71–80, 136–40, 201–9.

**65** The APPG writes this: 'The term "immigrants", unless otherwise specified, is used throughout this report to refer to economic migrants (including students) and their family members, rather than to refugees or asylum seekers. We define an economic migrant as someone who has legally immigrated to the United Kingdom to advance their economic and professional prospects. This includes both recent immigrants and those who have resided in the country legally for a number of years, but have not acquired British citizenship'; in All-Party Parliamentary Group on Social Integration, *Integration Not Demonisation* (August 2017), p. 8, online at: [http://d3n8a8pro7vnm.cloudfront.net/themes/570513f1b504f500db00001/attachments/original/1504379228/TC0016\\_AAPG\\_Integration\\_not\\_Demonisation\\_Report.pdf?1504379228](http://d3n8a8pro7vnm.cloudfront.net/themes/570513f1b504f500db00001/attachments/original/1504379228/TC0016_AAPG_Integration_not_Demonisation_Report.pdf?1504379228); see also House of Commons Home Affairs Select Committee, *Immigration Policy*, §65.

**66** All-Party Parliamentary Group on Social Integration, *Integration Not Demonisation*, pp. 36–7.

**67** Justin Welby, *Dethroning Mammon: Making Money Serve Grace* (London: Bloomsbury, 2016), p. 4.

**68** Welby, *Dethroning Mammon*, pp. 4–5.

**69** See The Purposeful Company, final report of The Purposeful Company Task Force convened by the Big Innovation Centre, February 2017, online at: <http://www>.

[biginnovationcentre.com/media/uploads/pdf/TPC\\_Policy%20Report.pdf](http://biginnovationcentre.com/media/uploads/pdf/TPC_Policy%20Report.pdf)

**70** See again Milbank and Pabst, *Politics of Virtue*, pp. 13–90.

**71** Pope Francis, Message for the World Day of Migrants and Refugees 2016, The Vatican, 17 January 2016, online at: [http://w2.vatican.va/content/francesco/en/messages/migration/documents/papa-francesco\\_20150912\\_world-migrants-day-2016.html](http://w2.vatican.va/content/francesco/en/messages/migration/documents/papa-francesco_20150912_world-migrants-day-2016.html).

**72** On the EU's policy instruments to reduce migration (including return agreements and development aid), see Luigi Scazzieri and John Springford, 'How the EU and Third Countries can Manage Migration', Centre for European Reform Policy Brief, November 2017, online at: [http://www.cer.eu/sites/default/files/pbrief\\_amato\\_migration\\_1nov17.pdf](http://www.cer.eu/sites/default/files/pbrief_amato_migration_1nov17.pdf).

**73** See Thomas Raines, Matthew Goodwin and David Cutts, 'The Future of Europe: Comparing Public and Elite Attitudes', Research Paper, Chatham House, Europe Programme, June 2017, online at: <https://www.chathamhouse.org/sites/files/chathamhouse/publications/research/2017-06-20-future-europe-attitudes-raines-goodwin-cutts-final.pdf>.

**74** See above, section 5.

**75** This idea responds to the imperative of making a new immigration policy 'visible and locally accountable', as identified in the report by the House of Commons Home Affairs Select Committee, *Immigration Policy*, §110.

**76** Business opinion increasingly recognises this. See e.g. 'A Sense of Purpose', Larry Fink's 2018 letter to CEOs, online at: <https://www.blackrock.com/corporate/en-no/investor-relations/larry-fink-ceo-letter>.

**77** See in particular Department for Business, Energy and Industrial Strategy, *Corporate*

*Governance Reform: The Government Response to the Green Paper Consultation*, August 2017, and Financial Reporting Council, *Proposed Revisions to the UK Corporate Governance Code*, December 2017.

**78** See 'Building Real Markets for the Good of the People', a speech given by Mark Carney, Governor of the Bank of England, at the Lord Mayor's Banquet, 10 June 2015; David Rouch, 'The Social Licence for Financial Markets: Written Standards and Aspiration', in Costanza Russo et al. (eds), *Research Handbook on Law and Ethics in Banking and Finance* (London: Edward Elgar, forthcoming).

**79** See the final report by the EU high-level expert group on sustainable finance, published in January 2018, online at: [https://ec.europa.eu/info/sites/info/files/180131-sustainable-finance-final-report\\_en.pdf](https://ec.europa.eu/info/sites/info/files/180131-sustainable-finance-final-report_en.pdf).

**80** Work has been undertaken to identify and develop alternative measures to help determine whether a purpose has been served that goes beyond financial cost/return. However, the embeddedness of current measures means that a more concerted approach is needed to expand them. An example of how this could work at a public-policy level is the Well-being of Future Generations (Wales) Act 2015, which seeks to identify a series of well-being goals, to coordinate local communities in pursuing them and advances a number of non-financial measures that can be used to measure progress; online at: <http://gov.wales/topics/people-and-communities/people/future-generations-act/?lang=en>.

**81** There are of course formidable challenges, e.g. in terms of definition and the fact that a certain level of transactions of this sort facilitates market liquidity.

**82** In the UK, to some extent reversing the process of demutualisation seen during the

second half of the 1980s and the 1990s.

**83** Building on their report *Transforming Capitalism from Within: A Relational Approach to the Purpose, Performance and Assessment of Companies* (Cambridge: Relationship Foundation, 2011) and their proposed 'Relational Business Charter', Jonathan Rushworth and Michael Schluter call for a system that allows 'no reward without responsibility, no investment without involvement, no profit without participation' (<http://www.relationshipsfoundation.org/about-us/assessing-relationships/the-relational-company>).

**84** See ICMA, *The Green Bond Principles 2017* (June 2017), online at: <https://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

**85** See Cabinet Office and Department for Digital, Culture, Media and Sport, 'Guidance: Social Impact Bonds', online at: <https://www.gov.uk/guidance/social-impact-bonds>.

**86** See e.g. the World Bank, International Finance Corporation, 'Social Bonds', online at: [http://www.ifc.org/wps/wcm/connect/corp\\_ext\\_content/ifc\\_external\\_corporate\\_site/about+ifc\\_new/ifc+governance/investor+relations/socialbonds](http://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/about+ifc_new/ifc+governance/investor+relations/socialbonds).

**87** While it is no doubt correct that the UK government can in practice achieve much by informal means (John Kay, *The Kay Review of UK Equity Markets and Long-Term Decision Making: Final Report*, July 2012, paras 8.17–20), and a certain amount of discretion may even sometimes facilitate a better outcome, it is nonetheless important for the public to be reassured that broader social interests are being taken into account.

**88** The main merger test is currently whether

a merger will result in a substantial lessening of competition with a market or markets in the UK for goods or services. The public interest test is an overlay, the relevant public interest considerations currently being national security, newspaper and media plurality and the stability of the UK financial system. See generally Part 3 of the Enterprise Act 2002.

**89** The complexity of the challenges should not be underestimated, but that is not a reason to duck them. For example, the Investment in Canada Act applies a 'net benefit' test to mergers in Canada, but there is a question as to whether the resulting uncertainty may have adversely affected beneficial investment in Canada. Similar questions have been raised in relation to the Australian 'national interest' test. It would be necessary to learn from regimes such as these.

**90** To ensure substantive engagement with the requirement, the takeover process should not be permitted to proceed until a sufficiently robust statement has been prepared (and this could be linked to provisions to avoid the uncertainty of delay for the target company). There would need to be safeguards to avoid uncertainty for all concerned. The directors of the target company would then need to publish their assessment of the statement. Managed properly, this could potentially facilitate stakeholder engagement for the businesses concerned, thereby enhancing their standing and providing public reassurance. However, it could also operate as an important discipline for the companies and their advisors. Some adjustments were made to the UK Takeover Code following the takeover of Cadbury by Kraft, so the changes could potentially build on those (Statements of Intention and Related Matters, a consultation paper issued by the Code Committee of the Takeover Panel, 19 September 2017, Statements of Intention and Related Matters, Response Statement by the Code Committee of the Takeover Panel following the Consultation on PCP 2017/2, 11

December 2017).

**91** Tax systems tend to treat financing a company by way of a loan more favourably than raising capital by issuing shares. Interest repayments on borrowing can be deducted as cost to lower its tax bill. Dividend payments (similar to interest on a loan) cannot be deducted as a cost. Consequently it is less expensive to finance using debt than equity.







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**St Paul's Institute**

The Chapter House, St Paul's  
Churchyard, London, EC4M 8AD,  
United Kingdom

**T** +44 (0)20 7246 8339

**E** [institute@stpaulscathedral.org.uk](mailto:institute@stpaulscathedral.org.uk)

**W** [stpaulsinstitute.org.uk](http://stpaulsinstitute.org.uk)