

## Editorial

Friendship, Markets,  
and Reciprocal Gifts

In his 2009 encyclical *Caritas in Veritate*, Pope Benedict XVI highlighted the inadequacy of a social imaginary that only includes the market and the state:

The exclusively binary model of market-plus-State is corrosive of society, while economic forms based on solidarity, which find their natural home in civil society without being restricted to it, build up society. The market of gratuitousness does not exist, and attitudes of gratuitousness cannot be established by law. Yet both the market and politics need individuals who are open to reciprocal gift.<sup>1</sup>

How might we conceptualize these “economic forms” of “reciprocal gift” that reside in “civil society” and are “based on solidarity” but are neither market nor state? Friendship fits the bill.

Of course, some commentators have acknowledged a wider range of social spaces that go beyond the “binary model of market-plus-State.” Michael Novak made “civil society” a pillar of democratic capitalism, the third leg of a stool that could not otherwise stand.<sup>2</sup> Older Christian theorists tended to divide society into family, Church, and state.<sup>3</sup> The Neo-Calvinist tradition acknowledges an array of social spheres, each with its own principles and boundaries.<sup>4</sup> While helpful, the differences between these systems can lead to ambiguities. What is a genus, and a species, of social order? Does it make sense in a post-Christendom world to give the Church its own sector, or is it just one of many in the broader category of civil society? Abraham Kuyper spoke of separate spheres of capital and labor<sup>5</sup>—is the category of the market too general, then?

The economist, peace activist, and general systems theorist Kenneth Boulding worked out his own multifaceted conception of society, but with the benefit of greater analytic precision and social-scientific sensibility than some of the alternatives on offer.<sup>6</sup> Boulding emphasized that economists who only analyzed markets missed a significant portion of distribution. In addition to the exchange economy of two-way, positive-sum transfers, he believed social scientists and theorists needed to account for what he called the grants economy of one-way transfers. Within the grants economy, Boulding distinguished between integrative systems of one-way gifts, and threat systems of one-way coercive extraction. While the latter may sound bad, all of these are per se neutral and have a positive role to play. Law, for example, is a threat system, but all societies need law. The key difference between integrative systems and threat systems is that the former, based on love, are personal—families, religions, charities, and so on—while the latter, based on fear, are impersonal.

Moreover, Boulding insists that these systems are heterogeneous “fuzzy sets” containing elements of the others as social dynamics. States need symbols and patriotism for legitimacy, and they need resources to maintain their operations. Families want everyone to work together out of harmonious love, but even the best parents know systems of rewards and punishments are necessary to manage a household as well. So, too, markets need the state to enforce contracts, and they need a basic level of trust, if not goodwill, between the parties to an exchange.

While Boulding’s work helpfully fleshes out these categories, the social space of “reciprocal gift” sits uneasily into his three systems. It is personal, like the family, but positive-sum, like the market. However, Boulding did highlight a social dynamic that fits that description, even though he limited it to two-person relationships and did not see its role as its own social system—friendship:

Simple friendship is one of the most productive and delightful of human relationships. Here power must be fairly equally divided and perhaps even randomly distributed over time.... If two friends decide to go on a walking tour, decisions as to where to go are usually made by consensus; otherwise the friendship may disintegrate. A friendship in which one of the parties is too dominant is apt to deteriorate.<sup>7</sup>

Here Boulding identifies in friendship a social dynamic that is both productive (positive-sum) and personal. We might even call it “reciprocal gift.”

Happily for those of us looking for a more comprehensive social framework, a wealth of reflection on the nature of friendship can be found from Aristotle to C. S. Lewis. This issue’s lead article, “Three Forms of Friendship in the Market” by Rachael Behr LaRose and Virgil Henry Storr,<sup>8</sup> focuses on Aristotle’s distinction

between friendships based on (1) utility, (2) pleasure, and highest of all (3) virtue, arguing that the former two, if not all three, can exist and thrive in, and be sustained by, modern markets. In Boulding's terms, they argue for the existence of friendship dynamics in institutions of the market social system and against those who presume the market undermines friendship.

Cicero can add to this analysis by his emphasis on the nature of that highest form of friendship as distinct from family relations: "good-will may be taken away from kinship, not from friendship; for when good-will is removed, friendship loses its name, while that of kinship remains."<sup>9</sup> As the Scripture puts it, "there is a friend who sticks closer than a brother" (Prov. 18:24). That is, I am still my brother's brother, even if he and I do not share goodwill or virtue. But I will not long remain friends with someone I do not like (not to mention love). Friendship, then, is arguably the freest of social institutions, for it cannot exist without the free participation of all involved. Otherwise, friendship ceases to be what it fundamentally is.

Adam Smith's reflections on friendship seems especially relevant as well, given his rightful esteem as the founder of modern economics. It seems Smith would concur with LaRose and Storr when he observes, "Colleagues in [political] office, [and] *partners in trade*, call one another brothers, and frequently feel towards one another as if they really were so. Their good agreement is an advantage to all; and, if they are tolerably reasonable people, they are naturally disposed to agree."<sup>10</sup> He notes that this arises "by the necessity of the situation," indicating, by ancient standards, a lesser form of friendship, and something less free than the highest. Still, to the extent he is right that such comradeship is common to "partners in trade," we can say that he saw no necessary opposition between markets and friendship. To the extent he is right that such friendship often arises out of "necessity," we can even say that he saw markets as encouraging it. Smith adds another aspect as well: "They who would confine friendship to two persons, seem to confound the wise security of friendship with the jealousy and folly of [romantic] love."<sup>11</sup> By noting the incompatibility of friendship with jealousy, Smith implicitly challenges his readers not to limit this powerful social and moral dynamic to two-person relationships.

Corroborating this multiparty aspect of friendship, C. S. Lewis similarly contrasts friendship from romantic love: "Eros (while it lasts) is necessarily between two only. But two, far from being the necessary number for Friendship, is not even the best."<sup>12</sup> Lewis, often reflecting on friendship in a more general sense than the highest form based on virtue, further notes how authorities regard friendships with suspicion: "Headmasters and Headmistresses and Heads of religious communities, colonels and ships' captains, can feel uneasy when close

and strong friendships arise between little knots of their subjects.”<sup>13</sup> There is, thus, a political dimension to friendship, inasmuch as tyrannical states regard its independent interests and loyalties as a threat, rather than an asset.

By contrast, Alexis de Tocqueville singled out the associational life of early American democracy as one of its most astounding strengths.<sup>14</sup> In Americans’ tendency to freely associate to solve problems, rather than seeking an aristocratic patron like the English or state action like the French, Tocqueville saw one of the truest expressions of their uniquely free society. While some of these associations likely consisted of charitable, one-way transfers of wealth, and thus would fit Boulding’s concept of an integrative system, many involved mutual benefit or “reciprocal gift”—the personal and positive-sum core of what we might call “friendship systems.” Richard C. Cornuelle, in his own work on the “independent sector” distinct from market and state, even teased out the implications of Tocqueville’s insights for national defense:

Tocqueville did not foresee a cold war on this small planet. He did not know how quickly an internal weakness might become a daily threat to survival. But his analysis can be applied to the world situation. Not long ago I was discussing the potential of the independent sector with one of our chief civilian defense strategists, and was startled at the eagerness of his reaction. I asked him about it. “You see,” he said, “we do not know how to defend a passive people. Unless we overcome people’s growing diffidence, we have no effective strategy.”<sup>15</sup>

In this light, we might say that the principle of subsidiarity, as articulated by Pope Pius XI, is as important for foreign policy as domestic: “those in power should be sure that the more perfectly a graduated order is kept among the various associations, in observance of the principle of ‘subsidiary function,’ the stronger social authority and effectiveness will be the happier and more prosperous the condition of the State.”<sup>16</sup> Thus, the health of friendship as a social system and dynamic may also be an underappreciated key to a nation’s effective relations with friends—and enemies—abroad.

Perhaps, beyond LaRose and Storr’s contribution, we may also recognize the unseen fingerprints of this social force throughout this issue’s articles, whether in the history of educational association in Normandy, remunerative relations between employers and employees, social justice more generally, or even our relation to the God who ordained an ordered world-system that includes the emergent phenomena of modern markets and the poverty-alleviating abundance they have produced since the start of the Industrial Revolution. So long as education would remain liberal, contracts free, justice truly social, and our market relations truly

devout, we will also need the free association of friendship and the reflection of scholars who recognize its enduring importance for human flourishing today.

—Dylan Pahman, Executive Editor

## Notes

1. Pope Benedict XVI, encyclical letter *Caritas in Veritate* (June 29, 2009), 39, [https://www.vatican.va/content/benedict-xvi/en/encyclicals/documents/hf\\_ben-xvi\\_enc\\_20090629\\_caritas-in-veritate.html](https://www.vatican.va/content/benedict-xvi/en/encyclicals/documents/hf_ben-xvi_enc_20090629_caritas-in-veritate.html).
2. See Michael Novak, *The Spirit of Democratic Capitalism* (New York: Touchstone, 1982). See also Brent Waters, *Just Capitalism: A Christian Ethic of Economic Globalization* (Louisville, KY: Westminster John Knox Press, 2016).
3. See, e.g., Frederick Dennison Maurice, *Social Morality*, 2nd ed. (London: Macmillan and Co., 1872); Adolph Von Harless, *System of Christian Ethics*, trans. A. W. Morrison, rev. William Findlay (Edinburgh: T&T Clark, 1868); Niels E. J. Hemmingsen, *On the Law of Nature: A Demonstrative Method*, trans. E. J. Hutchinson (Grand Rapids: Christian’s Library Press, 2018 [1562]).
4. See Abraham Kuyper, “Sphere Sovereignty,” in idem, *On Charity & Justice*, ed. Matthew J. Tuininga, Abraham Kuyper Collected Works of Public Theology, ed. Jordan J. Ballor and Melvin Flikkema (Bellingham: Lexham Press, 2022), 115–49. For a Christian social theory outside of the Neo-Calvinist tradition with a similar doctrine of spheres, see Hans Lassen Martensen, *Christian Ethics*, Special Part, Second Division: Social Ethics, trans. Sophia Taylor (Edinburgh: T&T Clark, 1899 [1878]).
5. See Abraham Kuyper, “Manual Labor,” in idem, *On Business & Economics*, ed. Peter S. Heslam, Abraham Kuyper Collected Works of Public Theology, ed. Jordan J. Ballor and Melvin Flikkema (Bellingham: Lexham Press, 2021), 145–68.
6. See Kenneth E. Boulding, *Three Faces of Power* (Newbury Park; London; New Delhi: Sage Publications, 1989).
7. Boulding, *Three Faces of Power*, 38.
8. See Rachael Behr LaRose and Virgil Henry Storr, “Three Forms of Friendship in the Market,” *Journal of Markets & Morality* 26, no. 2 (2023): 153–79.
9. Cicero, *De Amicitia*, in idem, *Cicero de Amicitia (On Friendship) and Scipio’s Dream*, trans. Andrew P. Peabody (Boston: Little, Brown, and Company, 1887), 16.
10. Adam Smith, *The Theory of Moral Sentiments*, ed. D. D. Raphael and A. L. Macfie (Indianapolis: Liberty Fund, 1982), 224, emphasis added.
11. Smith, *The Theory of Moral Sentiments*, 225.

12. C. S. Lewis, *The Four Loves* (New York: Harcourt Brace, 1962), 91–92.
13. Lewis, *The Four Loves*, 88.
14. See Alexis de Tocqueville, *Democracy in America*, trans. James T. Schleifer, 2 vols. (Indianapolis: Liberty Fund, 2010).
15. Richard C. Cornuelle, *Reclaiming the American Dream: The Role of Private Individuals and Voluntary Associations* (New Brunswick; London: Transaction Publishers, 1993 [1965]), 63.
16. Pope Pius XI, encyclical letter *Quadragesimo Anno* (May 15, 1931), 80, [https://www.vatican.va/content/pius-xi/en/encyclicals/documents/hf\\_p-xi\\_enc\\_19310515\\_quadragesimo-anno.html](https://www.vatican.va/content/pius-xi/en/encyclicals/documents/hf_p-xi_enc_19310515_quadragesimo-anno.html).