Economics and Ethics

The Dispute and the Dialogue

Samuel Gregg and Ian Harper

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Foreword

The relationship between economists and religious thinkers and leaders is often acrimonious. Some people of faith accuse economists of being hopelessly abstract and having a tendency to view the world through econometric models. At an even baser level, they often view economists as simply being hard-hearted. There are, however, some economists who insist that when it comes to public policy issues, some Christian thinkers are naïve, utopian and downright ignorant of economic realities. Some even argue that the very fact that many religious contributions to the discussion of such matters proceed from faith-commitments makes them at best marginal if not irrelevant to rational discourse about the advisability of various policy options. In such circumstances, it is little wonder that economists and religious thinkers consequently often end up talking at cross-purposes to each other.

In *Economics and Ethics: The Dispute and the Dialogue*, Ian Harper and Samuel Gregg attempt to explain why such situations often arise. On one level, they acknowledge that there is bound to be a certain degree of tension because of the divergent premises and assumptions underlying economists and Christian thinkers' respective ways of understanding the world. They also illustrate, however, that much of the conflict arises from misunderstanding and sometimes ignorance of the nature of the different perspectives that each brings to bear upon the same situations.

In the first chapter, Harper aims to familiarise readers with the advantages and limits of economic rationality so as to assist them in distinguishing more readily between the types of questions that economics can help us to answer and those that it cannot. To this end, he clarifies the difference between economic rationality and *'laissez-faire'* economics as well as the benefits and problems associated with most economists' use of the abstract model of man as *homo economicus*. He then explains the manner in which economics can contribute to discussions about issues of fairness and equity–often of great concern to Christians–by emphasising the trade-off that exists between efficiency and equity: that is, between the desire to have more of all goods and services and the desire to see them distributed differently. He ends, however, by warning economists against treating the conclusions of economic analysis as articles of faith. At the same time, Harper argues that Christians should recognise that in its appointed sphere of material welfare, there is no coherent alternative to economics for assessing whether or not particular policies are likely to improve material standards of living.

It is at this point that Gregg takes up the discussion by seeking to outline the proper competencies of economists and Christian ethicists. He begins by asking some basic questions about the nature of economics and Christian ethics. This permits him to underline the different philosophical outlooks and intellectual priorities that inform each discipline as well as respond to some of the more common criticisms that economists and Christian ethicists often level at each other. He then outlines some points of convergence between the two disciplines, most notably their common belief that people are by nature capable of freely-willed acts. Gregg concludes by outlining some guidelines that may help facilitate a productive dialogue between economists and Christian thinkers seriously interested in such a conversation.

Neither Harper nor Gregg claim to have all the answers to what are, after all, very complex questions about theories of knowledge, the history of ideas, and a number of old but eternally relevant philosophical and theological disputes. They seek, however, to introduce clarity into this often difficult exchange in the hope that such clarification will help facilitate a more productive and informed approach to policy issues by economists and Christian intellectuals alike.

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1.

Economic Rationalism:

The Economist's View of the World

Ian Harper

I. Introduction[1]

Thomas Carlyle, a political and social philosopher of the nineteenth century, once described economics as 'the dismal science' on account of the dire consequences of unbridled population growth predicted by the Reverend Thomas Malthus. Malthus, along with Adam Smith and David Ricardo, was one of the intellectual founders of modern economics. On another occasion, Carlyle accused economists of advancing a 'pig philosophy'; it seems that he was no admirer of economics or economists.

Many people share Carlyle's uncomplimentary view of the discipline, not least writers from the various traditions of the Christian churches. Indeed, the jargon term 'economic rationalism' has drifted so far from its technical moorings as to become almost a term of abuse.

Why does economics get such a bad press? Why is it so often assumed to be little more than materialist propaganda? The answers lie partly in a widespread popular misunderstanding of the limits of economics and partly in the willingness of economists to exploit this lay ignorance to advance their own agenda. In short, the public knows too little economics and, as a result, economists get away with too much.

Against this background, the present paper lays bare the bones of modern economic analysis. In so doing, it aims to familiarise readers with the limits of economics–to enable them more readily to distinguish the types of questions that economics can help us to answer from those that it cannot.

A subsidiary aim is to rehabilitate the term 'economic rationalism' to its rightful place in the realm of ideas. Properly understood, the term should not evoke emotivist responses of fear and loathing. It is too useful a description of what economics has to offer the world to be bandied about so recltlessly in newspaper headlines and parliamentary speeches.

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1 This is a revised and extended version of a chapter published in A. Hukins, ed. 1993, *Educating for Profit?*, ATCF Books, Sydney. The author is grateful to Professor David Henderson and Dr Sam Gregg for helpful comments and advice. Remaining errors are the author's sole responsibility.

II. What is 'Economic Rationalism'?

A good place to start in defining economic rationalism is to state what it is not. Economic rationalism is not the proposition that unfettered market forces should be the sole determinant of resource allocation in an economy. This is 'laissez-faire' economics. Allowing market forces alone[2] to guide resource allocation can also be rational but not always. It is well known that the free market fails to allocate resources efficiently in certain well-defined circumstances such as, for example, when there is a monopoly seller. In such circumstances, laissez-faire may be decidedly irrational.

Confusion of economic rationalism with laissez-faire economics is common, especially amongst those who are critical of the drift of recent economic policy in countries such as the United States, Britain, Australia and New Zealand since the late 1970s. In a paper produced by one official church justice organisation, for instance, it is said of economic rationalism:

> This kind of thinking often assumes that individuals should be given complete freedom to pursue their own material well-being, as everybody is responsible for events and outcomes in their own lives. It also regards the freedom of the market as sacrosanct, minimising society's role in regulating it, and taxation's function in redistributing wealth and meeting welfare needs. (Secretariat of the Bishops' Committee 1992: 12)

The proper target of the Secretariat's ire is laissez-faire economics, with its emphasis on the free market and minimal government intervention–not economic rationalism.

There is an even more general sense in which the term 'economic rationalism' is popularly employed. People use it to describe an approach to policy-making that is, in their opinion, overly influenced by narrow economic considerations. A decision to log native forests, for example, would be described as 'economically rationalist' on the grounds that such a decision could only reflect the commercial value of the trees and must have ignored non-economic factors, including the environmental significance of the forest.

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2 It is assumed as a matter of course that an appropriate legal framework is in place to define and enforce private property rights. ***'Laissez-faire'*** is ***not*** synonymous with anarchy (See Henderson 1998: 22-23).

On this conception, economic rationalism connotes a wilful ignorance of any and all dimensions of an issue except the commercial and economic: i.e., whose outcomes can be measured in dollars. No attempt is made to incorporate wider aspects of a problem, including social, political and perhaps spiritual dimensions. It is this second sense which Rev. David Jones has in mind when he claims that:

> The goal of economic rationalism is increased profitability irrespective of the human and social costs involved. (Jones 1999: 5)

Now at one level such a charge is upheld. Rationalist economics, as we shall argue below, *is* concerned narrowly, indeed exclusively, with the material dimensions of a policy or problem. This is the proper scope of the discipline, But economic rationalism nowhere advocates that *only* the material dimensions of a problem are relevant to its satisfactory solution. Concentrating on the narrowly economic dimensions of an issue makes good economics but bad public policy. This seems such an obvious point to make that most economists simply take it for granted.

It is clearly irrational to argue that all that matters for the welfare of human beings is the satisfaction of their material wants. Evidence, let alone logic, suggests strongly to the contrary. Satisfaction of material wants is no antidote for loneliness, low self-esteem and anomie. Economic rationalists do not claim that material well-being is sufficient for human fulfilment in this life; materialists, on the other hand, almost certainly do. Economic rationalism is *not* co-terminus with materialism.

So what is economic rationalism? It is the application of the principles of rationalism to the realm of economics. 'Rationalism' is the philosophical position that the human faculty of reason should be the supreme authority in matters of belief. Rationalism stands over and against non-rational grounds of belief, including prejudice, superstition and dogma. The hallmarks of rationalism are the appeal to logic and evidence in the accretion of knowledge. Rationalists do not accept that human beings can acquire genuine knowledge about the human condition in any way other than the rigorous application of logic and the careful sifting of evidence. The getting of wisdom through supernatural means, including direct Revelation from God, is not admitted.

Economic rationalism thus stands firmly in the Enlightenment tradition, as do the 'fathers' of modern economics, Adam Smith and David Ricardo. The discipline appeals to human reason as the sole means of understanding economic phenomena. Economics focuses on the *material* condition of humankind. The key questions are how to explain the material circumstances of different groups of people and, importantly, how these circumstances might be improved.

The focus on material welfare circumscribes the scope of economics. Economic rationalism, by construction, ignores non-material dimensions of human welfare. This is not to say that they are either insignificant or irrelevant to the human condition. It is simply to limit the focus of attention to the material. Economics has nothing to say about the spiritual condition of humankind, to take just one example of a non-material dimension of human existence. Investigation of such matters is left to philosophy, theology, cosmology and the like.

Economic rationalism, properly understood, has little or nothing to do with the blind implementation of so-called 'free market' economic policies–this is at best a parody of *laissez-faire* economics. Nor is it advancing the view that human welfare is exclusively a function of the material–this is materialism. It is nothing more than the application of rationalist scientific principles to an understanding of how humanity might improve its material circumstances.

III. 'Economic Rationalism' versus 'Economic Rationality'

In the tradition of economic rationalism, economists assume that people make decisions about their material welfare in a deliberate and consistent manner. In other words, rationalist economics invokes the assumption of 'economic rationality'. This is an assumption upon which an edifice of logic is erected. Conclusions emerge from the analysis and are then confronted with evidence. In this respect, as noted above, economics proceeds in identical fashion to the other empirical sciences. For so long as the conclusions or predictions of the theory are not contradicted by evidence–or at least not consistently and egregiously–the assumptions upon which the theory is built remain as 'working hypotheses'.

In addition to the assumption that people choose rationally, the economist's view of the world accepts two further propositions as self-evident. The first is that resources are scarce. In other words, we live in a world in which we do not have unlimited supplies of everything that we desire. Because goods, or the things we use to produce goods, are limited in supply, choices must be made; some things must be given up in order that we might enjoy the benefits of other things. The need to choose implies the need to sacrifice. The very act of choice implies that, while one thing is chosen, another is left behind. Economists are accused, like Jeremiah, of harping endlessly on the costs of people's actions. But they do neither more nor less than point to the self-evident fact of scarcity. The choice of option A implies the rejection of option B. It is not possible to have both.

The second self-evident proposition or 'axiom' of economics is that people generally prefer more to less. Note that this is a statement of fact and *not* of values. Economics does not say that it is 'good' for people to prefer more to less but simply that they do. Economists induce this preference from what is revealed in people's behaviour. Faced with a number of alternatives, people generally choose the one which gives them more: more personal satisfaction, more pleasure or, in economists' jargon, more 'utility'.

This second axiom, while self-evident to economists, is a stumbling block for many non-economists. They consider it mean-spirited and cynical to assume that human beings are motivated solely by the satisfaction of their own desires. For their part, economists remind their critics that it is a working assumption and not an endorsement. If predictions based on such a view of humankind were consistently rejected by the data, rationalism would demand a different working hypothesis. Furthermore, rational self-seeking behaviour is not inconsistent with spontaneous acts of generosity and altruism. The guiding force, however, is ego. Actions motivated by the love of God, for example, rather than the love of self are ruled out *ex hypothesi.*

Naturally economists invoke such a view of human motivation to explain behaviour bearing on our material condition, such as humans' behaviour in commercial transactions. Rationalist economics does not claim that such a model applies in all dimensions of human experience. Human social and personal relationships are an instance where our non-material welfare may be governed more by self-sacrificing behaviour than by self-seeking acts. Pushing economic rationality into such areas is to move beyond its natural limits.

In order to defuse justifiable concerns about the excessively narrow view of humanity assumed by economists and to make it quite clear that economics professes knowledge of humankind in only one of many dimensions, economists have invented an artificial human being. This creature, *homo economicus,* exists only as a fiction in the minds of economists. But like the psychologists with their rats, economists hope that the study of *homo ecotzomicus* under laboratory conditions will teach them something of the ways of *homo sapiens* in the real world.

Homo economiczu is the ultimate pleasure-calculator. This creature seeks only to maximise personal satisfaction from the consumption of goods and services and is utterly without spiritual dimension by design. It can evince altruistic behaviour but only as a means of self-satisfaction and never from any higher motive.

Again, this conception of human motivation is deliberately artificial and is intended only to apply in the narrowly economic sphere of human endeavour. Nor is it claimed that the utilitarian *homo economicus* is the only paradigm of human behaviour that might be applied. Economics, however, takes this model as its starting point. Other disciplines, such as sociology, begin with an entirely different conception of human motivation. The economist aims to investigate the predictions that emerge from the close study of *homo economicus*. If we assume people behave in economic matters as if *homo economicus* were calling the shots, how far would we be from predicting what is observed in the world? Unless and until the predictions of economics are consistently rejected by the data, there is no good scientific reason to abandon what is an intentionally one-dimensional and craven view of human nature.

Having introduced our model of the rational economic human being, we can proceed directly to define 'economic rationality' as a description of the behaviour of *homo economicus* faced with particular circumstances and operating under a set of principles which allow it to achieve maximum satisfaction given the limited resources at its disposal. It follows that, when a policy is described as economically rational, the implication is that *real* people are assumed to behave in the same manner as *homo economicus* in similar circumstances and to derive satisfaction from the same sources and to the same extent as does *homo economicus*.

When spelt out in this way, the scientific limitations of economic rationality are obvious. What economics has to say about the behaviour of humankind is based on abstract conceptual experiments using *homo econotnicus* as the subject. By their nature, such experiments will only ever be an imperfect guide to the behaviour of people in the real world; the same is true of psychologists' experiments with rats. Whether such experiments tell us anything useful at all depends upon how closely the idealised conditions of the laboratory conform to the more complex circumstances of reality.

Moreover, while the description of economic methodology given here conveys the impression of objectivity, in practice an element of subjectivity cannot be avoided. The types of questions to which economists as scientists devote their attention reflect their subjective views as to what matters for iinproving the material condition of humankind. *Homo economicus* will be pressed into service more vigorously in pursuing those questions that economists deem to be worthy of investigation, and this choice will, in turn, reflect aspects of their individual and collective *Weltanschauung*. Of course, in this regard, economists are no more guilty of parading a false objectivity than 'pure' scientists, including physicists and biologists. The fact/value distinction can be sustained, but only up to a point, in any human intellectual pursuit.

IV. The scope and limits of economics

As positive science, economics teaches us how to generate maximum material wealth[3] from a limited supply of material resources. Whether this is a morally defensible activity is not a question which economics seeks to answer. Economists spend much of their time studying the problem of 'economic efficiency'. This is the problem of how best to allocate the world's scarce resources of land, labour, capital and enterprise amongst an unlimited number of competing alternative uses. An 'efficient' allocation is one that generates maximum satisfaction for consumers who are assumed to be clones of *homo economictu*. In other words, the quest for efficiency is the quest for maximum material well-being, since this is all that *homo economicus* values.

If we think of economics as the science of material wealth creation,[4] we cast it in its proper light as a 'utilitarian' discipline like engineering or dentistry. Like engineers and dentists, it is the task of economists to advise on how best to achieve certain specified objectives and not to sit in judgement on the ultimate worth of the objectives themselves.

3 We interpret 'wealth' in the broadest sense to include all aspects of material well-being, including health, education, leisure and environmental amenity. After all, these 'goods' are not freely available; they must be 'produced' from scarce resources.

4 This is not to say that economists do not also study the distribution of material wealth but rather that wealth creation, rightly or wrongly, tends to dominate the research agenda. See Section V below.

Thus a good engineer designs and builds bridges that stand up; he or she has no competence *qua* engineer to judge the value of the bridge to society. A good dentist cures toothache and advises on its prevention but derives no mandate from his or her competence in dentistry to pontificate on the eating habits and general lifestyle of the patient. Likewise, the good economist advises on measures that will increase or decrease the level of material well-being but makes no presumption to knowledge of whether or not people are better off, in the most general sense, as a result.

Economists who exceed their mandate do the discipline great disservice. They are aided and abetted by a general public hungry for nostrums that they hope will cure them of their ills. It is because the public generally believe that a higher level of material prosperity will make them happier and allow them to lead more fulfilled lives that economists find themselves cast in the role of 'high priests'. It is the cult of materialism that leads to the ascendancy of economics and economists–not the other way around.

The responsible economist offers advice, when asked, on how to achieve specific objectives at minimum cost in material terms. This ensures maximum material benefit. He or she may or may not agree that the specific objectives are worthy of achievement. Economics provides no moral basis upon which to make such a judgement. Of course, as an individual–and certainly as a Christian–the economist has every right to form a view about the worth of the ultimate objectives that he or she is asked to pursue. On occasions, an economist *as a person* may feel so offended by the objective in view that he or she declines to offer professional economic advice. In the same way, an engineer might refuse to design and build an efficient gas-chamber or a doctor might refuse to terminate a pregnancy.

While economists are sometimes guilty of using their status as scientists to confer legitimacy upon purely normative judgements, they do not do so as often as it may seem to the layman. The appearance of pontification is often the result of a lamentable looseness of phraseology. 'University places should be allocated on the basis of "user pays"', is a common assertion of economists. Some economists may well support the application of the 'user pays' principle in higher education on purely ideological grounds. But the majority are simply stating in a loose form a more carefully-worded proposition which can be demonstrated scientifically: 'If the objective is to maximise the economic efficiency with which higher education services are produced and allocated to consumers, fees should be charged for access to higher education.' Loosely-worded claims by economists convey the impression of arrogance and partiality, and bring economic rationalism into disrepute.

It is, however, the case that public disdain of economists is often less the result of their tendency to pontificate on public policy than the result of confusion over the objectives of policy. Some people object to the economists' call for free trade on the grounds that those working in protected industries may lose their jobs if tariffs or other protective devices are removed. Economists are accused of ignoring the plight of the unemployed; some people think that jobs should be protected at the expense of economic growth.

But economists point out that employment growth and material progress are consistent, not contradictory, objectives. Even if the objective were couched specifically in terms of protecting a given number of jobs, most economists would still advocate the abolition of impost protection. The resources released from inefficient protected industries are free to be reallocated towards more efficient industries that can compete in the international marltetplace without assistance. More competitive industries employ more labour, and more rather than fewer jobs result. Empirical evidence shows that impost protection is in any case an ineffective means of protecting employment. Protected industries eventually shed jobs as they fall further and further behind in the competitive race.

The confusion can be allayed if economists state clearly which objectives their policies are designed to achieve. What appears to be a bias in economists' advice towards growth at any cost may simply be a failure of lay observers to interpret correctly the implications of faster economic growth.

V. Does economics tell us anything about equity or fairness3

Another reason that economic rationality is held in low regard by non-economists is the perception that questions of fairness or equity are simply ignored. Here the perception of the lay observer is largely correct; but the failure to address equity is not because economists think the issue is unimportant. Economics can tell us how wealth is created and how, once created, it is distributed; but it is powerless to tell us how wealth *should* be distributed, at least not without explicit information about how much people value increments to their material wealth. Even then, a Christian economist may object to the use of individual valuation as the sole criterion of individual welfare.

While economists can say little, if anything, about the optimal distribution of wealth, they can say a good deal about the costs of achieving particular wealth distributions. The distribution of the end-product of economic activity, viz., material income and wealth, is strongly influenced by the distribution of the ownership of basic resources. If someone owns a great deal of land and capital or, alternatively, is gifted with some rare and highly-prized talent (like an operatic singing voice), it usually follows that such a person is richly rewarded by the market system. If the distribution of basic resources–land, labour, capital and entrepreneurial ability–follows a particular pattern, the distribution of income and wealth will follow much the same pattern.

The distribution of the fruits of economic activity is something about which governments feel very strongly. They often have a vision of the ideal distribution of income and wealth that differs markedly from what the economic system produces. This leads them to advocate intervention in the economic system with the express intention of altering the outcome. While economists are in no position to tell a government that its view of the ideal income distribution is inferior, or superior for that matter, to what the economy would produce by itself, they can have much to say about the material costs of attempts to interfere with economic activity so as to influence deliberately the pattern of income distribution.

Economics tells us that changing the distribution of the fruits of economic activity is a costly business. Generally, the distribution can only be changed through the imposition of taxes and subsidies or regulations of one sort or another. Much theoretical and empirical work by economists shows how severely interventions of this sort can affect the wealth-creating ability of an economic system. This is the economic cost of government intervention, realised in terms of a slower overall rate of economic growth. For reasons which economists can explain with some confidence, attempts by governments to alter the sizes of the individual slices of the economic pie tend to reduce the size of the pie itself, or at least prevent it from expanding as quickly as it might otherwise have done.

It is this observation, well established in theory and in fact, which underlies most economists' belief that economic growth is the surest way to improve the material fortunes of those at the bottom end of the income and wealth distribution. The best way to achieve some increase in the size of the smallest slices is to make the whole pie bigger; or, as some would say, 'a rising (economic) tide lifts all boats.'

Some people interpret this as a prejudice on the part of economists in favour of economic growth for its own sake and against any kind of redistributive intervention by governments. While this may describe the personal opinions of some economists, it finds no warrant in the logic of economic analysis. Economics merely points to the trade-off that exists between efficiency and equity: between the desire to have more of all goods and services and the desire to see them distributed differently.

If you want a different income distribution, it will cost you something to get it, perhaps quite a lot, in terms of forgone material improvement for society as a whole. A better idea may be to leave the income distribution the way it is and concentrate upon improving the absolute material conditions of people across the income spectrum through higher rates of economic growth.

None of this is to say that income redistribution should not be attempted or that economic growth should never be sacrificed in favour of a more equitable distribution of income. Economics cannot prove that it is wrong to pursue such a course; but it can highlight the material costs and benefits to different groups of people and help them to make up their minds as to whether or not they will be better off as a result.

VI. Is economics biased toward the free market?

Another popular misconception of economics is that it is blind to the pitfalls of the market mechanism. Once again, economic rationalism is mistaken for pure *laissez-faire* economics. There is a substantial body of theoretical and empirical economic evidence favouring the free market as a more efficient means of creating material wealth than any other institution yet devised. Economists' support of the free market is based more by and large upon their acceptance of this evidence than upon mere ideological prejudice. To an economist, the statement that the market is inferior as a device for creating material wealth in comparison to, for instance, Soviet-style central planning has as much scientific credibility as the statement that the earth is flat.

This is not to say that all economists are forever blind to the failures of the market, as they recognise that the market is driven by an economic and not a moral calculus. The market will create wealth with equal facility through the prostitution of women and children as it will through the design and manufacture of life-saving medical equipment. From its earliest days, economics has acknowledged the need to found the market mechanism upon a framework of law and moral compunction in order to produce outcomes acceptable to a just society. This is true even (indeed, especially) of the original authors of *laissez-faire* economics.

In more recent times, economists have turned their attention to goods which do not enter into market exchange and which therefore tend to be undersupplied. The prime example is environmental amenity, including the claimed right to breathe unpolluted air and to swim in unpolluted waters. These are 'goods' for which there has traditionally been no market. In analysing the problem of environmental pollution, economists such the Nobel-Prize winner Ronald Coase have employed their understanding of the market mechanism to explain why the problem arises and to suggest remedies. Economists know from theory and experience that the market is a powerful engine and can be harnessed to achieve profound change. By designing mechanisms through which market forces are brought to bear on pollution, such as creating tradeable pollution rights, economists have assisted governments to manage a problem that excites substantial public concern.

Many economists recognise that the market, while superior, is nevertheless flawed, and will recommend alternative mechanisms for wealth creation and/or distribution if a sound case can be made. The case is not, however, established just by showing the market to be defective. Economists' studies of alternative allocation devices, including government central planning or administrative fiat, reveal weaknesses with these approaches as well. The case for replacing the market mechanism with some alternative allocation scheme must rest upon proof that the costs incurred by departing from free market principles are not in fact *greater* than the costs of staying with the market solution, imperfect though it is.

Economists have a 'rational prejudice' for market solutions as devices for creating material wealth based upon demonstrable scientific evidence. But their standards of scientific integrity demand that alternative solutions be sought and considered if the market fails to deliver maximum economic efficiency.

While the principle of the matter is clear, in this area more than any other, economists allow their own political preferences to sway their judgement, especially in public forums. The appropriate extent of government intervention in economic affairs is an issue that divides economists like no other. On this issue, the spectrum of professional opinion mirrors that within the general community, which immediately gives rise to the suspicion that ideology holds sway over science. The evidence, both theoretical and empirical, admits of a much narrower range of opinion than is widely professed.

Economists are to be questioned most closely when they are defending a departure from competitive market solutions in favour of an interventionist model. The 'presumption of innocence' favours the market and, while it is far from infallible, the market's 'guilt' needs to be established beyond reasonable doubt before sentence is passed. To do otherwise would be to betray economic rationality.

VII. Economics as religion

A wise and experienced teacher of economics once remarked to his class that 'Economic models are to be used, not to be believed.' He was referring to the tentative nature of all scientific knowledge. But he was also warning students against taking the conclusions of economic analysis as articles of faith. Economics attempts to understand the material world. It does not promulgate a philosophy of life, much less a set of metaphysical values by which people might attempt to live worthwhile lives. Economics is not a religion.

Yet some economists have certainly fallen into this trap. Economics has become for them a religion, and it is with much zeal that they set about converting the 'heathen'. Economists are not alone, however, in allowing their technical knowledge to assume the status of Holy Writ. Scientists in other fields also occasionally display intellectual arrogance, convinced that no possible turn of events could falsify their firmly-held beliefs. Such behaviour is as unbecoming as it is unscientific. Yet it is the practitioner of the science rather than the science itself who bears the fault. It is economists rather than economics who should be judged when the tentative conclusions of scientific analysis are presented to the lay public as eternal truths.

VIII. Christianity and economics

The Christian churches seem to have special difficulty in coming to terms with economics and economists. It is sometimes even suggested that it is impossible both to accede to the Christian faith and to profess economics. The ethical foundations of Christianity and economics are clearly incompatible. Christians reject, for example, the assertion that individual human beings are always the best judges of their own interests. Sin predisposes people to choose in ways which displease God and which therefore compromise their welfare in this life and potentially beyond.

But as predictive science, there are surely no more grounds for Christians to be suspicious of economics than of any other scientific discipline. Admittedly, there is a long-standing debate between the merits of faith on the one hand and reason on the other. This debate will probably continue, notwithstanding the demonstrable dependence of the scientific enterprise, indeed intellectual life itself, on values derived from the Judeo-Christian foundations of Western civilisation. But this debate has no special significance for economic science. Whatever Christians make of the Enlightenment 'experiment' and science itself, they must apply these doubts and objections equally to modern medicine, biology and geology as to economics.

Furthermore, Christians might rightly object to economists pontificating on matters of public policy as if the economic calculus were the only legitimate basis for gauging improvements in social welfare. But they go too far when they reject that same calculus as having nothing of value to offer. Within its appointed sphere of material well being, there is no coherent alternative to economics for assessing whether or not particular policies are likely to improve material standards of living. The key is to recognise that good economics is not synonymous with good public policy. The latter demands attention to a wider set of criteria than the merely material, as important as this dimension undoubtedly is to good government.

If Christians believe that the political process has become excessively concerned with matters economic, it is hardly fair to blame economics or economists for this state of affairs. Politics, at least in a democracy, reflect the preferences of voters. Unless and until voters are prepared to support policies which trade off gains in material welfare against non-material objectives, including a sense of community and devotion to personal holiness, Christians should not be surprised that economics and economists occupy centre stage in the unfolding political drama. 'Physician, heal thyself!'

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2.

Economics and Christian Ethics:

Towards a Clearer Discussion

Samuel Gregg

> Religion and economics are contrary voices, and we can only gain by dialogue between them. Religion will always urge us to look heavenward. Economists will remind us that we are creatures set on earth. Religion reminds us of our wider commitments. Economists insist that noble motives do not always yield the best results. There is no reason why both cannot accept the integrity of the other while checking trespasses into domains not its own.
>
> Professor Jonathon Sacks,
> Chief Rabbi,
> United Hebrew Congregations
> of the Commonwealth (1999: 56)

I. Introduction[1]

Among academic disciplines, many would claim that economics wins the prize for having the most materialistic view of human beings. One should not be surprised, then, that some Christians regard economics with a certain suspicion and even reject outright the claim that people can be studied with the same detachment as inanimate objects. On the other hand, there are many Christian thinkers (or economists who also happen to be believing Christians) who are happy to make use of social science research methods without necessarily accepting all the philosophical premises underlying them.

But as Ian Harper's chapter demonstrates, this barely begins to scratch the surface of the complex relationship between economics as an intellectual discipline and the study of ethics from a Christian perspective. If, for example, Christians involved in the study of economic policy are serious about loving God 'with all their minds', then it is vitally important that at some stage of their deliberations they think through policy proposals from the 'economic' perspective. Nonetheless, as Harper notes, there are also limits to what economic rationality can tell us about the nature of human existence, not least its non-material and moral dimensions.

The purpose of this chapter, however, is not to reiterate the points made in Harper's study. Rather it seeks to complement his analysis by

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1 The author wishes to thank Professor Ian Harper, John Phillips and Barry Maley for comments and criticisms of drafts of this chapter as well as Rev. Dr Rufus Black and Dr Hayden Ramsay for their contributions and corrections to its discussion of the nature of Christian ethics. Remaining errors are the author's responsibility.

moving the discussion towards clarifying the relationship between ethics–specifically Christian ethics–and economics. Such efforts are needed, not least because there is much confusion on the part of economists and Christian ethicists as to the nature and parameters of the other's discipline.

An example of this confusion may be found in one church justice agency's claim that 'Some economists are reluctant to acknowledge that their discipline is not value-free. They do not want to apply morals or theology to economics' (Secretariat of Bishops Committee 1772: 12). This statement reflects a basic failure on its author's part to acknowledge the difference between the is and the *ought* dimensions of economics. An economist attempting to discern the measurable economic consequences of, for example, increasing, reducing or abolishing a minimum wage, is under no obligation to introduce theological or ethical reflections into his study. He is simply being asked to determine what, given the limits of human economic knowledge, is most likely to happen in the economy following such a decision. If, however, an economist is asked to render an opinion on whether or not such an action would be a good or bad *policy,* the discussion becomes more complex, not least because judging a policy in these terms involves consideration of a wider range of factors other than the 'purely' economic.

The fact nevertheless remains that there is a need to clarify the proper competencies of economists and Christian ethicists. The approach adopted here involves asking some basic questions about the nature of economics and Christian ethics. With these parameters established, it becomes easier to demonstrate the points of convergence and divergence between the two disciplines and to illustrate how failure to recognise some of the differences often underlies disputes between economists and Christian ethicists. We conclude by outlining some guidelines that may facilitate a dialogue between the two disciplines.

II. What is economics?

Positive Economics

In the history of Western thought, the emergence of modern economics as an autonomous intellectual discipline is relatively recent. In the Aristotelian and Scholastic traditions, economics and politics were studied as part of a broader inquiry into ethics under the title of *philosophia moralis* (Alvey 1999: 55). Even in the European universities of the 1700s, economics continued to be taught as part of moral philosophy (Canterbery 1995: 42).

Economics gradually emerged as an autonomous science, not least because, as the economist and Anglican thinker Lord Griffiths points out, the Enlightenment encouraged people to think about economics as well as many other subjects in a more abstract, even amoral (as distinct from immoral) manner (Griffiths 1984: 107-108).[2] Modern economic theory subsequently stresses that the judgements made by individuals within economic processes involve subjective valuation. As Peter Boettke notes, 'it is precisely the radical subjectivism of economics that assures us that the discipline has any way to approximate "objective knowledge"' (Boettke 1998: 214). Economics does not, for example, attempt to determine whether profits are deserved. Rather it seeks to tell us how profit has been realised, and it would be severely distracted from undertaking this task in a reasonably objective manner if the question of deservedness was the centrepiece of the analysis,

In his book on post-Enlightenment economics, Lionel Robbins defined it as 'the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses' (Robbins 1952: 16). In this sense, the primary task of economics is to determine the objective effects of different choices about how scarce goods may be used. While Ludwig von Mises' understanding of economics was similar, he preferred to speak of economics as the study of human action so as to underline the central role played by free choice and acts in economics. To Mises' mind, economics

> is a theoretical science. . . . It is not its task to tell people what ends they should aim at. It is a science of the means to be applied for the attainment of ends chosen, not, to be sure, a science of the choosing of the ends. . . . Science never tells a man how he should act; it merely shows how a man must act if he wants to attain definite ends. (Mises 1966: 10)

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2 One must be careful, however, not to exaggerate this abstractness. When, for example, one of the founders of the Austrian school of economics, Carl Menger, published one of his foundational works, *Grundsätze der Volkwirtschaftlehre [Principles of Economics]* (1871/1923), he placed the individual at the centre of his inquiry; but not, one should note, the hedonistic social atom of Benthamite utilitarianism. In an effort to escape the parameters of *homo economicus*, Menger placed the individual with all his diverse attachments, wishes and sentiments at the heart of his study.

Both Mises' and Robbins' definitions indicate that economics is a *positive* discipline *insofar as* it involves the study of cause-effect relationships which, if they can be demonstrated as empirically true, may be regarded as having a high degree of scientific validity. Positive economics is especially concerned with discerning changes in activity, notably those that represent responses to alterations in economic variables and policy. What, for example, are the likely effects of tax-cuts for certain income-segments of the population upon wealth creation and distribution? Positive economics does not consequently involve ethical judgements of these relationships; it does not ask whether or not the object and effects of such decisions are good or evil.

Normative economics

The results of the study of positive economics do, however, contribute to the formulation of *economic policy*. Economic policy–what some call 'normative economics' or 'political economy'–is, according to Carl Menger, 'the science of the basic principles for the suitable advancement (appropriate to conditions) of "national economy" on the past of the public authorities' (Menger 1963: 211).

For our purposes, the most important word in Menger's statement is 'suitable'. What indeed is suitable? In answering this question, one cannot but enter the world of philosophy, politics and ethics. For a variety of reasons, including moral, some will ascribe more value to the end of freedom than that of equality and vice-versa. To this extent, the formulation of economic policy–understood as the selection of economic goals and the means of implementing them–is a normative activity. It is therefore a legitimate field for ethical inquiry. One may even argue that when an economist goes beyond simply pointing out the objective effects of an economic choice and renders an opinion which involves moral and/or political judgements about the means, object and side-effects of a potential or actual economic policy, his role becomes 'less' that of an economist and 'more' that of a public policy adviser.

A 'value-free' discipline?

One should, however, be aware that neither normative nor positive economics are 'hard' sciences in the sense that chemistry and physics purport to be 'value-free' disciplines. This may be illustrated by outlining the different statements that an economist can make about taxation on cigarettes.

- *If a government increases the tax on cigarettes, people will generally smoke less.* This is a positive statement reached by logical deductions based upon certain assumptions about how people behave.
- *If a government wants to reduce the amount smoked, it should increase cigarette taxes.* This is a prescriptive statement. It does not tell us that the government should reduce smoking, Rather it tells a government what it can do if it wishes to do so.
- *The government should increase the tax on cigarettes.* This is a normative statement because it is based upon the judgement that the situation after the tax increase is generally better than the situation before the tax increase.

Initially this division seems to confirm that the difference between positive and normative economic statements lies in the judgement underlying the latter. But on closer examination, one becomes aware that the positive statement outlined above is not as 'neutral' as one might suppose. For what are the *assumptions* about human behaviour that underlie the logical deductions on which this statement is based? One is that people generally prefer more to less: i.e., that people are utility-maximisers, In itself, this would seem to be an objectively verifiable conclusion.

But another assumption is the model of man as *homo economicus:* or, as Harper describes it, man as the 'ultimate pleasure calculator'. While few economists actually suggest that this model captures the complexity of human beings in their entirety, it is not a neutral model. The moral-philosophical viewpoint most akin to it is essentially a crude form of utilitarianism: i.e., nothing is good or evil 'in itself; instead, that which is 'good' is what provides most people with pleasure, satisfaction and utility, and each person's idea of what is pleasurable is purely a matter for subjective preference. Not all the assumptions, then, underlying positive economics are philosophically neutral. This is not to say that economics is reducible to ethics. It only means, as Ricardo Crespo notes, 'that economics is not a value-free science' (Crespo 1998: 201).

It seems, then, that economics is very much a social rather than a physical science. Nevertheless the preceding summary suggests that the is-ought/positive-normative differentiation still serves as a useful dichotomy for those attempting to understand the nature of economics as a field of intellectual inquiry. Not only does the distinction enable economists to highlight the more scientific aspects of their work, but it is also a way to differentiate between 'economics' as the study of objective facts (e.g., the fact that there *is* a relationship between supply and demand) and 'economics' as the exposition of public policies based on those objective facts as well as the decision to pursue selected political, social and moral goals.

III. What is Christian ethics?

Defining ethics

Any discussion of the character of ethics is bound to begin by noting that, by its very nature, ethics is a *normative* intellectual exercise. As an intellectual discipline, it is concerned with the study of voluntary human conduct; that is, all actions and omissions that people understand and will in relation to an object that they have in view. Human actions are of course the subject of other disciplines such as psychology and economics. But the primary interest in these fields is not what man *ought* to do, but *how* and *why* he acts. By contrast, the study of ethics involves knowing more than what people do. *It means asking which acts are appropriate in light of the truth aboutgood and evil and which are not.* Broadly speaking, this involves discerning the object of an act and the intention underlying that act, as well as considering the side-effects of the act and the circumstances surrounding it. The rational ordering of a freely willed human act to the good constitutes morality. But if the object of an act chosen by the will is not in harmony with the truth about the good, then it is an evil act,

Ethics may thus be defined in intellectual terms as the philosophical study of voluntary human action with the purpose of determining what types of activity are good, right and to be done (or bad, wrong and not to be done) so that people may live in truth. For while people may know some moral principles, they will not always know what should be done in a given situation. The formal study of ethics consequently seeks to help people not only by establishing what these basic moral principles are (e.g., the principle that people should receive what is due to them) but by applying them to a variety of hypothetical and actual situations. How, for example, are people to be given what they are owed in light of the reality of limited resources and the subsequent need to create more?For this reason, ethics should not be understood as consisting of a precise list of 'Yes and Nos', but rather as an activity by which human beings reason about how they should live. This being the case, ethics is surely more than 'just another discipline'. It is an unavoidable and essential activity in which every person engages each time they perform a freely willed act–an activity that is intimately related to their vision of the meaning of life.

Christian ethics

Given that ethics is a philosophical exercise, some argue that there is, strictly speaking, no such thing as 'Christian ethics'. Others suggest that Christianity is simply one 'voice' of moral discourse among many when it comes to the discussion of ethical issues (Longstaff 1997: 250).

In a very limited sense, this latter statement is true inasmuch as there are many secular and religious movements that seek to contribute to debates about the good life. It does, however, underestimate the fundamental differences between Christian and secular views of the nature of ethical reasoning–differences so profound that they raise grave questions about the very possibility of describing ethics as some type of on-going 'conversation' about moral dilemmas in which many different 'voices' participate.

This much becomes clear as soon as it is realised that people cannot ask 'what ought I do' without answering two preliminary and interrelated questions. These are:

- Who am I?
- What are the options to be done?

Put another way, what is the anthropological status of human beings in the reality in which they find themselves and how does this shape and limit our moral options? If, for example, people regard human beings as simply one of a number of species, then they are often likely to arrive at different answers to various ethical dilemmas than those who suppose that human life is of intrinsically greater worth than that of other creatures.

Christianity has a very clear position on the nature of reality and humanity's place in it. God is the Creator, and all beings in the universe, creatures in general and humans in particular, are therefore considered to owe their existence to Him. The essences of man are thus viewed as being derived from God and reflecting His eternal thoughts and plans. The dignity of human beings is expressed especially in the fact that they can understand this divine and natural order and choose to conform to it in their actions, thereby participating in the thought of God and having a share in the law which God bestowed on the world when He created it. Ethical reasoning for the Christian does not therefore consist in people somehow creating 'their own' moral order or 'their own' truth. Rather it takes the form of people attaining an ever-deepening knowledge of the unchanging truth about good and evil.

To this extent, ethics studied from a Christian vision of reality is premised on quite divergent foundations to the view adopted by some secular humanists. Hence, if ethics involves answering questions about the appropriateness of given acts to the given reality, it may be said that because of their profoundly different understandings of man's nature, it is actually more accurate to speak of 'Christian ethics', 'secular humanist ethics', 'Buddhist ethics' etc., and to limit use of the word 'ethics' to describing the intellectual exercise of determining what one ought to do.

Where then do people studying Christian ethics turn when seeking to understand the truth about human reality and to determine what people ought to do in light of such knowledge? In 1972, Pope Paul VI provided a useful summary of the distinctly Christian sources of ethical reflection when explaining the nature of Christian morality:

> We could define it precisely in an empirical way by stating that it is a way of living according to the Faith, in light of the Truths and example of Christ, such as we learned from the Gospel and from its first apostolic irradiation, the New Testament, always in view of a second coming of Christ and a new form of our existence, the so-called Parousia, and always by means of a double aid, one interior and one ineffable, the Holy Spirit; the other exterior, historical and social, but qualified and authorised, the ecclesiastical magisterium. (Paul VI 1972: 1)

Protestant Christians would generally take a somewhat different view because of their general emphasis on the primacy of Scripture (*sola scriptura*). Here, however, is not the appropriate place to discuss the dissimilarities between what various Christian traditions have to say about this subject. For our purposes, it suffices to note that a form of ethical discourse that describes itself as Christian must involve reflection upon what faith in God's Revelation, culminating in the person of Jesus Christ, tells us about God, man's place in the cosmos and the nature of the kingdom that is to come, followed by the application of this knowledge to particular circumstances and dilemmas so as to guide and judge each and *every* free act of persons who desire to live in truth. Such reflection must acknowledge that for the Christian, there is an intrinsic and inseparable link between faith and morality manifested in Christ's statement that 'If you love me, you will keep my commandments' (Jn 14:15).

Christian ethics is not therefore a pragmatic endeavour. Rather it is an exercise in identifying those acts which conform in themselves to the demands of faith in and love of God, and those acts which are incompatible with the same demands. This being the case, Christian ethics is not only about making choices for or against one or another particular action. It also involves, within the setting of that choice, making a decision for or against the truth and ultimately for or against God. For the Christian, the act of faith cannot be separated from the free choice of other acts. It is something to be lived out in all of one's daily decisions and actions, no matter how trivial they seem.

Christian ethics and secular debates

It is well known that there are those who believe that ethical arguments shaped by a Christian worldview have little if any part to play in policy debates. Put simply, such arguments are regarded as relying upon spiritual-religious and therefore 'nonrational' claims; they are not therefore appropriately articulated in a discussion about matters as heavily based upon rational inquiry as economic and public policy.

There are several problems with such assertions. For one thing, they reflect the influence of what Robert George calls 'the secularist worldview' or 'secularist orthodoxy' (George 1999: 33) which claims that its positions are fully vindicated by reason and that any claims to the contrary are based upon propositions derived from 'unreasoned' religious faith.

To this contention, there are generally two responses from religious people. One is to concede that religious moral judgements do indeed depend upon faith that cannot be rationally grounded, but to point out that secularism itself is based on a nonrational faith in man, has its own myths,[3] and rests on many unproven–even disprovable–metaphysical assertions[4] and claims about the nature of reason.[5] Hence they maintain that the secular worldview is no more entitled to any special standing in the discussion of public policy than a religious viewpoint.

The second response is to affirm the legitimacy of secularism's demand for public reasons for public policies and offer to engage secular philosophies on the field of rational debate. Christians holding this view would agree that secularism–and for that matter secular ethics–is in itself a doctrine and far from being a 'tradition-independent view' that merely represents a neutral playing field on which ideologies such as Marxism, feminism and environmentalism, and religions such as Islam and Judaism can wage a fair fight for people's allegiance. These Christians would, however, also maintain that:

- 'Faith is in a sense an "exercise of thought"; and human reason is neither annulled nor debased in assenting to the contents of faith, which are in any event attained by way of free and informed choice' (John Paul II 1998: para 43).
- Both religious faith as well as religiously informed contributions to public policy *can* be based on and defended by appeal to publicly accessible reasons provided by principles of natural law and natural justice.

Christian intellectuals have shown themselves more than capable of meeting the challenge implied in the second point by formulating ethical and philosophical positions at least partly derived from or inspired by traditional Christian sources in terms acceptable to a wide range of people seeking public reasons for particular public policies.

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3 One such myth is the view that medieval Christian thinkers believed the world to be flat. This fable was invented in the early nineteenth century (Finnis 1998: 16; Russell 1991). In the fifth century, St Augustine of Hippo and other many Church fathers accepted that the earth is spherical. Indeed one of St Thomas Aquinas' stock examples of scientific method was that the world can be proved scientifically to be round (See, for example, *Summa Theologiae*, 1-11, q.1, a.1, ad.2).

4 An example of such metaphysical claims is the person-body dualism first systematically pioneered by René Descartes which holds that people are essentially non-bodily beings who inhabit a non-personal body. According to this position, the person is the conscious and desiring 'self' as distinct from the body which may exist (as in the case of pre- and post-conscious human beings) as a merely 'biological' and thus sub-personal reality. But as George notes: 'this dualistic view of the human person makes nonsense of the experience all of us have in our activities of being dynamically unified actors—f being. . . embodied persons and not persons who merely "inhabit" our bodies and direct them as extrinsic instruments under our control, like automobiles' (George 1999: 36).

5 David Hume claimed, for example, that 'Reason is and ought to be the slave of the passions, and may never pretend to any other office than to serve and obey them' (Hume 1738-40/1951: 415). Reason's role, in other words, is not to identify what is rational–what people should want or ought to do–but merely to devise means of obtaining goals that people happen to want. In making this statement, Hume appears to have been attempting to deflate the hubristic tendencies encouraged, in his view, by Cartesian-influenced rationalism. But in doing so, he effectively reduced reason to the level of an instrument, a reduction that depends upon the assumption that reason is incapable of vindicating any fundamental moral principles. Nowhere, however, does Hume provide any proofs to demonstrate the validity of this assumption.

John Finnis' *Natural Law and Natural Rights* (1980) is but one example of this. Finnis argues elsewhere that lay Christians can participate in public policy debates without necessarily appealing to their religious beliefs, relying instead upon those 'public reasons'–that is, rational and therefore universal and communicable moral norms–that are accessible to people of all faiths and none (Finnis 1997: 495). The irony, as Michael Novak points out, is that some Christian leaders in more recent times have found themselves taking the lead in defending the capacity of human reason to know metaphysical, empirical, scientific, philosophical and historical truth against the strange combination of extreme introvertism, language-games, ultra-scepticism and relativism of the post-modernism into which some of the Enlightenment's heirs (and more than a few Christians) have lapsed (Novak 1998: 1-3).[6]

At the same time, by insisting that faith-based claims have a legitimate voice in public policy debates, Christian contributions to such discussions serve to remind everyone that we should avoid thinking about public policy issues solely in rationalist-instrumentalist terms. Throughout his writings, the Austrian economist and social philosopher Friedrich von Hayek constantly emphasised the dangers of overestimating the powers of human reason (Hayek 1952/1979: 161-163; Hayek 1978: 85), a phenomenon that he regarded as being one of the primary precipitators of man's hubristic attempts to build earthly utopias. Religion, in Hayek's view, had an important role to play in forestalling this temptation of 'constructivist rationalism'. In his last book, for example, Hayek stated:

> We owe it partly to mystical and religious beliefs, and, I believe, particularly to the main monotheistic ones, that beneficial traditions have been preserved and transmitted at least long enough to enable those groups following them to grow, and to have the opportunity to spread by natural or cultural selection. This means that, like it or not, we owe the persistence of certain practices, and the civilisations that resulted from them, in part to support from beliefs which are not true-or verifiable or testable–in the same sense as are

6 Novak points out elsewhere that 'philosophers as disparate as Bertrand Russell and Richard Rorty have candidly admitted that key concepts absolutely central to their own philosophies, such as compassion and solidarity, respectively, derive from the heritage of Jesus Christ, not Greece or Rome or even the Enlightenment. Even concepts such as person, conscience, the dignity of every individual without exception, and individual liberty . . . arose from sustained reflection upon the Gospels' (Novak 1999: 250).

> scientific statements, and which are certainly not the result of rational argumentation. . . . Even those among us, like myself, who are not prepared to accept the anthropomorphic conception of a personal divinity ought to admit that the loss of what we regard as non-factual beliefs would have deprived mankind of a powerful support in the long development of the extended order that we now enjoy, and that even now the loss of these beliefs, whether true or false, creates great difficulties.
>
> In any case, the religious view that morals were determined by processes incomprehensible to us may at any rate be truer (even if not exactly in the way intended) than the rationalist delusion that man, by exercising his intelligence, invented morals that gave him power to achieve more than he could ever foresee. (Hayek 1988: 136-137)[7]

Christian ethics and public policy

Neither secular nor Christian ethics is confined to guiding individuals in making moral decisions that are primarily of personal reference to them as individuals. People are by nature social beings. Moreover their decisions and actions often affect others or are made in social situations. For the same reason, Christian ethics also embraces a social dimension. The demands of the Gospel message are, of course, of a profoundly moral nature. But the Christian life is not limited to the proper ordering of personal moral life. It also has a social dimension not least because social life presents people with dilemmas to which they must respond by freely acting in ways which meet the Gospel's demands. One may even go fusther and suggest that there is such a thing as a 'social act'. Finnis puts the case for this particularly well:

> There is a social act . . . when some proposal for co-ordinated action is held out to relevant members of the society in such a way that they can, and some or all do, choose to participate in the proposed action precisely as the action thus, 'publicly', proposed. There is, then, no social act without the acts of individual persons . . . yet the social act is a real, not a

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7 Ironically, Hayek's view that religion is based upon beliefs not verifiable in the same way that one can verify scientific statements seems to have been shaped by the very type of Enlightenment rationalism about which he himself had such grave reservations (Raeder 1997: 14n55; Walker 1986).

> fictitious resultant of the individual acts, for there is indeed what I shall call a policy (however implicit, 'unstated', informal, and privy to the group itself), a policy which the relevant members choose to participate in carrying out. (Finnis 1998: 28)

The only caveat that one may wish to add is that the object, intention and side effects of 'social acts' are often less easy to identify than those of a personal nature. This has several implications. It becomes much harder for Christian ethicists to categorise some policies, such as a new tax, as morally good or evil than it is for them to determine, for example, the moral status of a programme of genocide. The object of the latter is so unambiguous that it must be condemned by any Christian ethicist.

Yet in the case of, for example, a new tax, it is likely that there are many, often equally well informed, suppositions advanced by Christians as to its precise object, intention and side effects. On the basis of evidence presented as well as reflection on Christian principles, some Christians may conclude that the probable object of, and intention underlying, a new tax is the overall enhancement of human freedom and that certain harmful side-effects are acceptable. Other Christians, on the basis of the same evidence and reflection on the same principles, may argue that the proposed tax involves serious violation of various criteria of distributive justice. One would subsequently expect any serious Christian ethicist or church leader to be far more circumspect and reserved in rendering judgment on such a policy and more willing to acknowledge that there are many attitudes that people can adopt towards this policy while remaining in perfectly good standing with their church's teaching. As the American theologian Germain Grisez states:

> On many matters . . . faithful [Christians] can legitimately disagree. In some situations, those exercising political power are open only to options incompatible with the Church's teaching, and the question is which of those options should be considered worse and so opposed in order to mitigate the evil. In other situations, there are two or more positions, incompatible with one another but compatible with the Church's teaching. In both kinds of cases, even though someone has arrived at a position by applying the Church's teaching to the facts of the problem as carefully as possible,

> he or she should not propose that opinion as the Church's teaching. (Grisez 1993: 860)

More recently, Archbishop George Pell made a similar point when stating that for Christians 'there is no "party-line" on many issues outside central doctrines of faith and morals' (Pell 1999: 175).

It should nonetheless be noted that because of Christianity's distinct view of reality, its social ethics are likely to–and should–have a different content and set of priorities from that of secular programmes. The priority of Christian social ethics is not, for example, 'effectiveness'. As the Protestant theologian Stanley Hauerwas notes, instead of 'attempting to make the world more peaceable and just' the 'first social ethical task of the church is to be the church' (Hauerwas 1983: 99). This primarily means that the church should tell its story and witness to the Truth about God. Hence, while the church should care for the needy and the poor, it should do so according to its distinctive priorities rather than those of 'the world'. One would therefore expect Christians directly involved in pursuing justice questions to avoid speaking almost exclusively about, for instance, material poverty and instead say a great deal about spiritual poverty. Otherwise they may leave themselves open to the charge of providing nothing more than theological glosses to various secular agendas. As Grisez notes:

> Many people think of social justice as an objective which can be promoted in only one way, and suppose this way to be common to nonbelievers and Christians alike. But faithfulness to Jesus . . . requires Christians to proceed as He did. If they do so, their efforts to promote social justice will be a genuine apostolate and will differ markedly from nonbelievers' efforts. (Grisez 1993: 376)

IV. Problems and paradoxes

If one reflects upon the preceding outlines of the nature of economics and Christian ethics, it soon becomes apparent why economists and Christian thinkers often talk at cross-purposes and sometimes clash directly. Three problems tend to manifest themselves.

Ignoring the insights of positive economics

Medieval scholars such as St Albert Magnus and St Thomas Aquinas were among the first to state that the sciences required autonomy if they were to function properly in their respective fields of research. There is, however, a propensity for some Christians to forget this axiom when it comes to economics. In doing so, they fail to recognise that the orientations of positive economics and Christian ethics are quite different. As a 'science', the former focuses upon the *descriptive* while the latter is *prescriptive.*

To state, for example, that there is a relationship between supply and demand or that self-interest plays a role in people's economic choices is simply to describe two characteristics of economic life. Some might even contend that to deny or ignore these realities is to deny or ignore aspects of the truth, the pursuit of which is fundamental to the Christian vision of man's destiny because, as St John's Gospel reminds its reader, 'the truth will set you free' (Jn 8:32).

It is quite understandable, then, that some economists become frustrated by some Christians' reluctance to acknowledge the insights of positive economics and/or to consider the implications of such insights for the formulation of economic policy. Indeed, they correctly argue that it is irresponsible for people studying public policy from a Christian perspective to ignore not only what Harper refers to as the self-evident fact of scarcity but also the likely economic consequences of different choices. Such information can only be made available by positive economics. As Boettke states, positive economics endows us with as close to 'value-neutral' knowledge as can be furnished by a social science. This in turn supplies us with some of the information required for a reasoned discussion of what is the soundest choice to make (Boettke 1998: 213), not least by telling us how scarce resources may be allocated among competing ends and presenting us with some empirical grounds for assessing which policy choices are likely to improve or worsen particular situations in material terms. Positive economics is thus capable of providing Christian thinkers with particular insights into what is humanly possible, and Christians willing to pay attention to its conclusions are less likely to find that their contributions to policy-formulation amounting to little more than an exercise in wishful thinking.[8]

[8] It should, nonetheless, be noted that the demands of Christian faith sometimes require Christians to perform what may seem to others to be 'senseless' acts of charity, heroism and sacrifice. Throughout the centuries, for example, countless Christians have died rather than abjure their religious beliefs. Yet from a Christian perspective, the prospect of losing one's soul by virtue of apostatising is senseless.

Exaggerating the claims of economics

Though some Christians are often reluctant to acknowledge the insights of positive economics, economists are not guiltless when it comes to explaining the tensions that sometimes arise between them and Christian thinkers. In recent decades, some economists may have exaggerated the explanatory power of their discipline. Positive economics becomes transformed in such instances from a social science that studies and makes various claims about certain aspects of material reality, into what almost amounts to an ideology.

Few would deny that reflection upon the workings of economic self-interest provides us with many insights into the actions of human beings. Even fewer would dispute that there is an economic dimension to historical events such as the First World War, transformations such as the Protestant Reformation, or social institutions such as the family. Most would even agree that economic processes are often the most important element that people must understand if they want to grasp the meaning and nature of a great number of these phenomena.

There are, however, some economists who take Adam Smith's obsesvation that people pursue their own self-interest in the material realm and elevate it to the status of an article of faith which holds that *everything* is essentially driven by economic self-interest. As noted by the 1986 economics Nobel Prize recipient, James Buchanan, and his colleague Geoffrey Brennan, some economists do seem to think and act as if 'the rarefied *homo economictrs* construction is, if not the perfect image of real man, at least so sufficiently close so that no great violence is done by assuming that real man is actually *homo econonzicus*' (Buchanan and Brennan 1987: 54). An example of this tendency may be found in George Stigler's Hasvard University Tanner Lecture 'The Economist as Preacher' (1980).

Curiously, the outlook of such economists could be viewed as almost as reductionist as Marxism–an ideology which, broadly speaking, held that *every* idea, institution, conviction and event was in the end simply a manifestation of the inevitable and on-going class struggle throughout history for control of the means of production. As Robert Nelson–himself a pro-market economist–points out, these economists view non-economic values as merely serving 'to obscure the deeper workings of the forces of self-interested economic rationality' (Nelson 1998: 147). In doing so, they go far beyond Smith himself whose reflections about self-interest in *The Wealth of Nations* (1776) should be always placed in the context of his earlier lesser-known work, *The Theory of Moral Sentiments* (1759), which speaks of the primary, non-material motivations of justice, benevolence and prudence of which desire for honour, respect, social advancement and wealth are subsets.[9] It should therefore come as no surprise that Christian ethicists–not to mention many economists who favour markets–react negatively to what comes close to an assertion on some economists' part that *homo economicus* is actually the closest approximation of human reality rather than simply the abstract intellectual tool described by Harper,

Economic evidence or moral principle?

It is, however, more common for economists and Christian thinkers to fall out over the respective weight that should be given to the evidence of positive economics or the imperatives of moral principle when it comes to the normative exercise of formulating and implementing economic policy. One would expect an economist working in a public policy capacity to stress what positive economics tells us about the likely effects of a particular policy. If, however, an economist acting as a policy adviser insists that this is the only criterion that should be taken into account, then he is committing the basic error of supposing that an *is* makes an *ought.* To take a fictional example, one economist's researches may lead him to conclude that there is much empirical evidence to suggest that a combination of slavery and child labour is the most efficient economic system of all. But this conclusion does not in itself legitimise a government policy of permitting the development of a slave trade or allowing people to sell themselves and their children into slavery.

But when it comes to more 'real-world' economic policies, one often finds that the different philosophical premises underlying what may be described as the 'broadly' economic and 'broadly' Christian ways of thinking are at the root of much tension between economists and Christian ethicists. Economic thinking about policy outcomes is essentially rooted in utilitarianism, the school of ethical thought which holds that the proper choice between any two alternatives is the one calculated to lead to the greatest amount of 'utility' or 'satisfaction' for humanity. The greatest incommensurability between utilitarian and Christian ethics concerns the possibility of doing evil to achieve a good result. Put in relatively simple terms, the orthodox Christian view is that evil, small or large, can *never* be done regardless of how much good

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[9] Smith also insisted that what is truly rational must be seen to be so not only from the perspective of the self-interested party, but also from that of a disinterested rational observer as well (Smith 1759/1976: 71, 204).

may flow from it (cf. Romans 3:8), but that harmful side-effects (such as the death of innocent people where their death is not part of the plan) can sometimes, if rarely, be accepted.[10] The utilitarian approach, by contrast, would hold that providing that the good effects outweighed all the bad ones, the taking of human life is permissible.

Economists rarely deal with such life and death issues directly, but they do presume that the best economic policy is the one that has the best effects overall-even if it does have some bad effects. We should not be surprised, then, that economics' utilitarian premises are likely to lead some economists to different conclusions about the precise ethical status of economic policies than those arrived at by Christians.

But beyond philosophical considerations, it should be noted that particular difficulties arrive when it comes to economic policy precisely because *there is no such thing as an economic policy that will not have some harmful effects in the short and/or long term.* To take the case of tariffs, regardless of whether a government decides to retain or abolish them, some people are going to be negatively affected by the government's decision. Ethically speaking, the situation is further complicated by the fact that the negative and positive effects of many economic policies will not always be immediately apparent or clearly discernible because of the limited foresight that humans have into such matters.

This reality creates particular challenges for Christians when it comes to thinking about public policy. It is unreasonable for them to demand that no one in the short or long term should be negatively affected by some economic policies. But as the American theologian Daniel Finn notes: 'Church documents at times speak as if even relatively minor harmful side-effects prevent the moral approbation of economic policies or whole economic systems' (Finn 1986: 157). The challenge, then, for Christian ethicists and church leaders seeking to make meaningful contributions to economic policy debates is twofold. They must ask themselves just what moral goods are so basic that they must be respected, even at heavy costs. Secondly, they should devote more effort and time

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[10] Here the principle of 'double-effect' should be explained. This principle states that if an individual act has more or less simultaneously two effects, one good and one bad, I may do such an act provided that (1) the act in itself is morally good, (2) the evil effect of the good act is not willed but only permitted or accepted and (3) there is due proportion between the unintended evil that follows the good act, and the good achieved by that act. Aquinas uses this principle when explaining the right to self-defence (See *Summa Theologiae* II-II, q.64, a.7).

to the intellectually laborious but essential task of rigorously discerning the object, intention and side-effects of 'social acts' such as economic policies so as to determine as far as is humanly possible whether such acts adhere conform to the truth about the good.

V. Toward a more constructive engagement

Having outlined some of the difficulties impeding meaningful dialogue between economics and Christian ethics, one is bound to ask how a more constructive relationship may be forged. Here three broad suggestions are made.

Deeper understanding of the nature of economic models should be promoted

Economic models are like maps. Maps provide us with an insight into aspects of the truth, but they do not in themselves capture the whole truth. A map of London can tell us how to get from Heathrow to Westminster. It cannot, however, encapsulate the whole reality of the city such as the crowds, the smog and its inhabitants' everyday joys and disappointments. Economic models are similar. They do not attempt to encapsulate a holistic vision of the world. But they can tell us with a high degree of accuracy how to get from point A to point B if we want to attain certain material objectives, even though they only equate to an approximation of the reality that they depict. Christian thinkers should therefore be careful before accusing economists of excessive abstractness. Abstractness is often necessary if we are to reach any conclusions about how certain material and economic objectives might be attained. As Buchanan and Brennan point out, abstraction is a way 'of allowing economists to impose intellectual order on the observed chaos of human interaction, without excessive distracting detail in dimensions of the analysis that are not centrally relevant' (Buchanan and Brennan 1987: 53-54).

By the same token, economists should acknowledge that economic models are only useful for certain purposes and do not and cannot embrace the whole of reality. A London street directory will not show us the distance between New York and London. Nor does it tell us that we *should* travel from Heathrow to Westminster. It merely provides us with some of the information that we may need *if* we choose to go about attaining that goal. Economic models perform a similar function when it comes to thinking about how certain economic objectives may be realised. They are not designed to provide us with answers to moral dilemmas.

This should not be interpreted as a call for economists to abandon the presumption of *homo economicus.* On the contrary, it merely echoes Buchanan and Brennan's plea to their fellow economists that they

> recognise that *homo economicus* has its own limits as a useful abstraction. We can only load the construction with so much, and we stand in danger of having our whole 'science' collapse in an absurd heap if we push beyond the useful limits. The fact that the whole set of 'non-economic' motivations are more difficult to model than the 'economic' should not lead us to deny their existence. (Buchanan and Brennan 1987: 55)

There should be broader recognition that economics as a social science is based upon certain truths about human nature

Put briefly, these truths are:

- People are capable of freely-willed acts;
- Self-interest does play a role in human decision-making.

By and large, economists do not believe that some of these facts might be true for some people, but not for others. They are held to be *universally* true.

Over time, economists have applied their attention to these facts to almost every human activity imaginable. In the 1960s, for example, the Public Choice school began applying the observation that people act in their 'self-interests' to the study of those working in the public sector. They consequently brought into question the common presumption that government officials typically act in the public interest–a supposition that had already been questioned by Max Weber from a sociological viewpoint–and brought to light much economic evidence that suggests that many state officials have a tendency to promote their own political and economic interests to the detriment of the common good (Buchanan, Tollison and Tullock 1980; Tullock 1965; cf. Lane 1995: 121-123). Economists have thus been successful in generating new insights into a range of problems precisely because they have focussed on certain verifiable constants in human behaviour.

Some social scientists do not agree with these propositions. Those who have succumbed to the current fashion of deconstructionism would generally dispute that there is even such a thing as truth, save the 'truth' that 'everything is relative' or that everything is explainable in Foucaultian terms of 'hidden power-interests', especially those of a 'patriarchal' character. Others are outright determinists, believing that people are driven by social forces or 'laws of history' beyond their control.

While one can accept that people are influenced by their environment, its effects upon human decision-making are often vastly overstated to the point whereby the reality of human agency is obscured. From a Christian perspective, one of the strengths of economics is surely that it does not succumb to this temptation. For while economists consider economic restraints such as income and prices as causative factors in accounting for human behaviour, the very language of economics highlights the fact that the person is still a choosing agent. Economists say that a person chooses to produce or consume something, given the constraints of income and prices, rather than something else. They generally do not argue that people, even those with few resources, have no choices.

The economist's picture of man as a freely choosing subject of acts is consistent with the insistence of Christian ethics that humanity's capacity for free choice is a reality and not an illusion. Both Yahweh in the Old Testament and Christ in the New specify again and again that humans can choose to do what is pleasing in God's sight (and thereby attain true freedom) or choose to do evil (and become a slave to sin). In short, Christians believe that people's capacity, as Lord Acton put it, to choose freely to do what they ought to do (Acton 1988: 613) is integral to their dignity as the *imago Dei* and constitutes true freedom. Where the Christian understanding of choice differs from that of the economist is precisely the Christian linking of free choice to the *responsibility* to choose the good. Positive economics, by contrast, does not ask questions about the moral rightness or wrongness of what people choose.

Another point of convergence between the 'economic' and 'Christian' perspectives is the latter's acknowledgment that 'self-interest' does play a role in human decision-making, Implicit recognition of this may be found in Aquinas's discussion of why private ownership is morally licit and even necessary. First, Aquinas states, people tend to take better care of what is theirs than of what is common to everyone, since individuals tend to shirk a responsibility which is nobody's in particular. Second, if everyone were responsible for everything, the result would be confusion. Third, dividing up things generally produces a more peaceful state of affairs, whilst sharing common things often results in tension,[11]

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[11] See *Summa Theologiae,* II-II, *q.66,* a.2.

Underlying Aquinas's observations are several assumptions: that people are fallible; that in economic matters they will be guided to a large extent by their personal interests; and that it is unwise in the long term to rely upon people's altruism. Late-Scholastic thinkers associated with the School of Salamanca took these insights somewhat further and suggested that, due to original sin, the tendency to pursue self-interest in economic affairs was past of the human condition (Chafuen 1786: 43-61). In more recent years, theologians such as Michael Novak have explored the notion of self-interest, seeking to rescue it from being narrowly interpreted as 'selfishness' by revisiting the doctrine of original sin as well as Adam Smith and Count Alexis de Tocqueville's respective treatments of self-interest (Novak 1982: 92-95; Novak 1989: 55-68). Even more recently, John Paul II expounded what amounted to a Christian analysis of the origin and nature of human self-interest:

> man, who was created for freedom, bears within himself the wound of original sin, which constantly draws him towards evil and puts him in need of redemption. Not only is this doctrine an integral part of Christian revelation; it also has great hermeneutical value insofar as it helps one to understand human reality. Man tends towards good, but he is also capable of evil. He can transcend his immediate interest and still remain bound to it. The social order will be all the more stable, the more it takes this fact into account and does not place in opposition personal interest and the interests of society as a whole, but rather seeks to bring them into fruitful harmony. In fact, where self-interest is violently suppressed, it is replaced by a burdensome system of bureaucratic control which dries up the well-springs of initiative and creativity. (John Paul II 1991: para. 25)

To the extent, then, that both economists and Christian ethicists agree that people are by nature capable of choice and shaped, in part, by personal interest, they appear to agree that there is such a thing as a human nature that is universal and enduring. If this is the case, then such a nature can be studied systematically.

This observation may give natural law thinking, including that of a Christian variety, a point of entry into dialogue with modern economics. Although natural law philosophy has traditionally been associated with Catholic moral theology, it has also exerted a major influence upon Protestant minds such as Martin Luther, John Calvin and Helmut Thielicke (Budziszewski 1997), as well as important Jewish scholars, as Rabbi

David Novak demonstrates, such as Moses Maimonides (Novak 1999). Several commentators have already demonstrated that the influence of natural law thinking is critical to grasping the economic ideas of early modern Protestant thinkers such as Hugo Grotius and Samuel von Pufendorf (Chafuen 1986: 25-27, 153, 163n31, 171, 177; Veatch 1978: 7-31).

In general terms, Christian natural law thinking maintains that there is a divine order, an eternal law by which God arranges, directs and governs everything. Unlike other creatures, humans, it is suggested, are not cared for through the laws of physical nature, but rather 'from within': that is, through the workings of right reason (recta ratio) which, by its natural knowledge of God's eternal law and enlightened by Revelation and by faith, is able to show people the right direction to take when they act freely. This participation by human beings in the eternal law is called the natural law,[12] a law that transcends historical and cultural settings.

Like Christian natural law philosophy, economics holds that people can know truth–that is, 'what is' and not simply 'what I think or wish to be'–by the correct and disciplined application of human reason. Thus, to this extent and within the confines of their respective focusses, one may contend that economics and Christian ethics share an anti-relativist view of the world. Neither regards truth as being determined by feelings or opinion polls. Instead each considers knowledge of truth to proceed from a consonance between the intellect and human reality.

Naturally much preliminary work is required if a dialogue between economists and Christian thinkers was to proceed on this basis. It may, however, provide a starting point. Even if such a dialogue did no more than encourage some Christian thinkers to appreciate that economists do believe that, through reason, we can know truth about wealth creation and distribution, while simultaneously helping some economists to recognise that the human intellect's speculative powers can discern truths beyond the scientific and the empirical (albeit in a way that is imperfect and analogical), then it will have been worthwhile.

Economists and Christian ethicists should be conscious of the respective limits of economics and ethics

By keeping this axiom in mind, economists and Christian ethicists will be able to play a more productive role in building up the sum of

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[12] See *Summa Theologiae*, I-II, q.91. **a.2.**

knowledge that each draws upon when contributing to public policy. As Rabbi Sacks points out:

> *Ideas and institutions that have great benefit in their own domain have disastrous consequences when they are applied to another domain*. Religion has great virtues in ordering communities. It has dire consequences when employed to govern states. Scientific method is supreme in explaining natural phenomena. It is catastrophic when used to prescribe human behaviour. (Sacks 1999: 53)

Operating as they do from a perspective that looks beyond the limits of science for inspiration and direction, Christian ethicists can remind economists (indeed, all social and physical scientists) of what the patristic scholar Jean DaniClou, S.J., called 'the constantly provisional character of scientific systems.' As DaniClou noted, these systems are 'working hypotheses designed to express the most closely approximate interpretations of a body of known facts. And the discovery of new facts always opens up the possibility of challenging them' (DaniClou 1961: 3).

More generally, Christian ethics can act as a corrective to those economists who mistake their knowledge of some truths about human beings as being the whole Truth about man. This is surely important if Murray Rothbard, one of the leading thinkers of the Austrian school of economics, was correct when he claimed:

> In recent years, economists have invaded other intellectual disciplines and, in the dubious name of science, have employed staggeringly oversimplified assumptions in order to make sweeping and provocative conclusions about fields they know little about. This is a modern form of 'economic imperialism' in the realm of the intellect. Almost always, the bias of this economic imperialism has been quantitative and implicitly Benthamite, in which poetry and pushpin are reduced to a single-level, and which amply justifies the gibe of Oscar Wilde about cynics, that they (economists) know the price of everything and the value of nothing. The results of this economic imperialism have been particularly ludicrous in the fields of sex, the family, and education. (Rothbard 1989: 45)

If this is an accurate analysis, Christian thinkers can help counter such tendencies by alerting economists working in the realm of public policy to the non-economic costs and benefits of economic decisions, not least in terms of sin and virtue. One would further expect Christian ethicists to focus, beyond concerns of efficiency and effectiveness, upon determining what means are appropriate to the desired ends. Often the ethical aspect of means-ends questions are not thought about fully or even asked by those involved in the formulation of public policy-or, for that matter, some Christian thinkers. Should Christians, for example, simply accept that governments may use force to redistribute wealth without continually subjecting this proposition in each and every instance to rigorous ethical appraisal?

How then can economists assist the study of Christian ethics? It is true that economic research is not going to alter basic Christian moral principles. But as Thomas Beauchamp states, while economic analysis cannot change the principle that stealing is wrong, it may help inform Christians' attitudes towards a phenomenon such as inflation inasmuch as it provides them with a better grasp of how inflation arises, why its effects are harmful, and what policy choices facilitate or reduce it (Beauchamp 1980: 260-269). Positive economics can thus assist Christians in dealing with new and complex questions by identifying subtle but important implications of public policy not immediately apparent to those examining an issue from a predominantly moral standpoint. This, one would hope, will help Christians to engage in a more informed analysis of economic policy by virtue of being more conscious of the 'positive' dimension of economics and more aware of the intricacies of the qualitative and quantitative impacts of different economic proposals. For those who advocate policies without knowing their full range of costs and benefits are ignorant, while anyone who supports policies knowing but not articulating these costs and benefits is simply disingenuous. Neither is an appropriate option for economists or Christian ethicists who wish to think seriously about and shape the direction of public policy.

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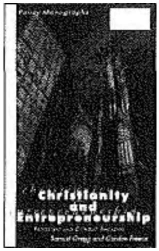

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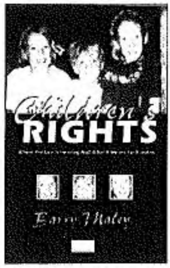

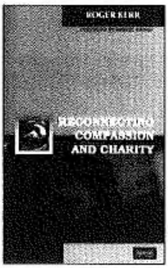

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