5. Christian theology and economics: convergence and clashes

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Until the end of the 18th century what was then called 'political œconomy' was taken to be wholly compatible with Christian theology. The appearance of T.R. Malthus's *Essay on Population* (1798, 1803) almost immediately destroyed that assumption (Waterman, 2004, Ch. 7). Robert Southey's (1803) maledictory review of the second *Essay* inaugurated what (the Victorian) Arnold Toynbee called 'the bitter quarrel between economists and human beings' (Winch, 1996, pp. 402, 418). By the end of the 19th century, Christian theologians in England were allied with Romantic writers and artists as self-appointed spokesmen for the human beings (Waterman, 2003). The legacy persists. Many theologians in the English-speaking world take it for granted that economics is hostile to true religion and therefore, we may suppose, to Christian theology.

It is our purpose in this chapter to analyse the relation between economic theory and Christian theology so as to throw some light on the compatibility or otherwise of the two. We begin with definitional matters, for this is a semantic minefield. Next we attempt a taxonomy of the various modes of coexistence possible. Finally, we take a closer look at two central theoretical conceptions, 'rationality' and 'scarcity', on which much of our analysis turns.

DEFINITIONAL MATTERS

According to an aphorism familiar at least to economists, economics is 'what economists do'. By extrapolation, we might suppose that (Christian)[1] theology is what theologians do.

As a way of delineating areas of enquiry, this approach to definition might at first seem unpromising. Both economists and theologians do many things that in no way identify their professional concerns. They eat, sleep, make love, sing, and so on. We need to modify the formulation to exclude these 'irrelevancies'; but if we do so in the most natural way – so as to make the aphorism read: 'economics (theology) is what economists (theologians) do when they are doing economics (theology)', the whole exercise becomes hopelessly self-referential. No such definition can be informative unless we have a prior notion of what economics (theology) is.

Still, the approach has something going for it. It tells us where we might look in trying to see what economics and theology are – namely, in the literature that practising economists and theologians take to be 'core material' for their respective areas of enquiry. So, in the economics case, in the pages of the leading journals and in the mainstream textbooks – and for theology, in analogous places.

This is, of course, to conceive of economics and theology as intellectual enterprises, each taking place within a specific 'knowledge community' whose members recognize one another to be engaged in the same enterprise and committed to the same specific rules of discourse. In the case of theology in particular, such a conception may well appear contentious. In defence of our approach here, two things should be borne in mind. First, it is possible to draw a distinction between the *intellectual* enterprise of theology, on the one hand, and the *spiritual* enterprise of 'working out one's salvation with fear and trembling' on the other. The former admits of specialization within a broader epistemic division of labour; whereas there are limits on specialization and exchange within the latter enterprise. It needs to be conceded, though, that to the extent that the spiritual enterprise admits an intellectual component – one is called to 'love the Lord with all one's *mind*', among other aspects of one's person – the spiritual and the intellectual enterprises are connected. This is an important distinguishing feature of theology in the present context. Although one can operate in the 'real world' economy with no knowledge at all of economics (as one can drive a car with no knowledge of mechanics), it is doubtful whether one can live a spiritual life without any knowledge of theology. For though St Augustine said, 'A man supported by faith, hope and charity, with an unshaken hold upon them, does not need the Scriptures except for the instruction of others' (Augustine of Hippo, 1958, *Doct. Christ* I, p. xxxix), this presupposes a community in which the relation between the 'theological virtues' and Holy Scripture is understood, studied and taught. So while the distinction between the intellectual and the spiritual has some bite, it is not a clear-cut one. Moreover, there is no analogous distinction in the case of economics: the fact that most Christians ought to take theology seriously makes theology different from economics in one significant respect.

On the other hand (and this is our second line of defence), we do not need to think of theological reflection as the monopoly of specialist professionals in order to make the point that the activities of the specialists can be

instructive in informing us as to what theology as an intellectual enterprise consists of. And that is the central purpose of this section.

Thinking about economics and theology in this way allows us to conceptualize the relation between them in somewhat similar terms to the relations between other, more or less well-defined disciplines in the academic arena. So in principle, the relation is similar in kind to that between, say, economics and philosophy, or economics and political science, or for that matter theology and philosophy.

In this sense, it is important to emphasize the features that economics and theology, so understood, share. Both are committed to what passes within their respective knowledge communities as the standard rules of rational discourse – to terminological precision and logical coherence – and to intra-community agreement as to what counts as relevant 'evidence', and what counts as appropriate respect for that evidence once it is established. In both cases, the approach taken – the 'method of thought' practised – is a kind of heuristic apparatus, formulated with the intention of 'finding out' something about that part of human experience identified as relevant. This apparatus emerges collectively from the interactions among mutually recognized practitioners over time – as a gradual process, proceeding by trial and error, in which the identification of 'errors' is itself part of the process of collective enquiry. But what is 'discovered' is likely to be shaped by the apparatus of enquiry. Enquirers tend to see the things they are looking for, partly because cases in which what is sought is absent tend to be less salient.

Equally, the idioms and vocabulary of the two conversations will differ between communities. And what counts as relevant evidence may well be very different. These features will make communication difficult. But we reject any extreme theses of necessary mutual incomprehensibility. Observers from either side can recognize that a game is in play, and have the rules explained, even if that game is one that the observer could never play – and perhaps never wish to play. Indeed, if economics and theology are to be seen, as we do see them, as elements in a larger division of intellectual labour – one to be rationalized on the grounds that time, energy and creative imagination (the inputs into intellectual enquiry) are limited – then communication between the enterprises must at some level be possible if that division of labour is to be justifiable.

One aspect of this 'division of intellectual labour' picture is that each of theology and economics will put into the background – and perhaps abstract from entirely – elements that the other regards as central. Both deal with aspects of human experience; but it is a kind of analytic necessity that neither can capture the *whole*. Accordingly, one possible area of tension between economics and theology lies in the conception of human nature – or as the economist might put it, the 'model of man' – that each deploys.

Christian theology conceives man as a damaged and somewhat defaced *Imago Dei* – with the damage a naturally ineradicable feature of the human condition, remediable only by the direct redemptive action of God through Jesus Christ. Economics conceives of man as a rational individual, pursuing relatively stable ends (the objects of relatively stable preferences) subject to the constraints imposed by scarcity. Are these pictures compatible? Are they reconcilable in terms that would be mutually agreeable to general practitioners in both camps? Does the exercise of trying to limit tension between the two conceptions suggest a distinctive sub-field of Christian economics – or perhaps of economic theology? These are matters we shall want to take up in greater detail below.

In the meantime, we need to offer some more detailed remarks about exactly how we think of economics. Many, probably most, recognized economists understand their intellectual enterprise in terms less of its subject matter than of its approach – in terms, that is, of what Paul Heyne (1991) has called 'the economic way of thinking' in his admirable book of the same title. If we were to examine the content of the mainstream economics journals it would immediately become apparent that economists see their explanatory domain as extending across the entire range of social phenomena. There is no self-imposed limit to subject matter that might conventionally be thought of as 'economic'. There are, for example, lively sub-branches of the discipline dealing with politics (so-called 'public choice theory' or 'rational actor political theory'); law (the 'law and economics' enterprise is now a standard piece of legal education across the Anglo-American world); sport (including what Robert D. Tollison (1990) refers to as 'sportometrics'); the arts and even so-called 'religious behaviour' (Iannaccone, 1998). There are attempts at an 'economic theory of the family', an 'economic theory of suicide', an 'economic theory of the caste system', an 'economic theory of esteem', an 'economic theory of military tactics'. McKenzie and Tullock (1975) devised an introductory textbook some years ago purporting to illustrate the range, including a chapter on the 'economics of sex'. Not all these applications have struck the economics profession as completely successful, but for the most part they have been recognized as legitimate attempts to apply what is basically the economic method. Of particular relevance to this chapter, a recent contribution analyses *The Economics of Sin* (Cameron, 2003). The ever-increasing explanatory ambition of economics has brought it into conflict – sometimes quite vigorous – with neighbouring disciplines. Attempts at colonizing other territory have not always been hospitably greeted by the original inhabitants. So while economists might assent in principle to an intellectual division of labour, they have seldom respected the boundaries such a division might imply. That is a fact about economics that needs to be borne in mind.

Both theology and economics involve 'positive' and 'normative' elements. The distinction is more emphasized in economic than theological circles, and economists have sometimes been criticized for making the distinction in tendentious or philosophically problematic ways. But for all its difficulties, the distinction is useful and important, and some separation of positive from normative elements in analysis – if only in a comparative sense – seems worthwhile. When economists claim that the quantity of any good demanded is a diminishing function of price, they are making a positive claim – one that can be falsified by empirical evidence. When they claim that rent control is a bad idea and should be abolished, they are making a normative claim. Such normative claims in economics do not always operate as ethical primes. The assessment of rent control, for example, is typically grounded in positive claims about the effects of rent control on the supply (or quality) of the housing stock. In other words, claims of the kind: 'X is good (ill)' can typically be decomposed into two separate claims: 'X has consequence Y'; 'Y is desirable (undesirable)'. Of course, the claim that 'Y is desirable' may appeal to considerations of a more basic kind – and these considerations will often involve further claims about the consequences of Y for something yet more ethically basic. Eventually, however, we come to something in the chain of reasoning that for purposes of the exercise can be taken to be self-evidently a good or an ill. This final claim, on the economist's reading, is a *purely* normative matter. Everything else in that backward chain is a *derivatively* normative matter and appeals to some kind of positive claim, usually about the consequences of actions or policies. Arguably, the positive/normative distinction is best thought of as a continuum ranging from claims that are distant from the purely normative to claims that are very close. Note that this approach accommodates the idea that what sometimes looks like a purely 'positive' claim – 'X leads to a net additional 1 million deaths', say – can be virtually a 'normative' claim if a net additional 1 million deaths is self-evidently an ill, at least *pro tanto*. The mere grammatical form of a sentence – whether it has an 'is' or an 'ought' form – does not always settle the issue.

Economists are fond of insisting that proper normative analysis incorporates an ineluctable positive element. And this is almost certainly true for the kinds of normative questions with which economics is primarily interested – such questions as: what policies should be enacted? Or which market institutions are best? Or whether aid or trade is better for third world countries? Whether the same is true of theology is a more open question. On the face of things, 'This is my body, given for you' is a positive proposition; whereas 'we ought at all times to acknowledge our sins before God' is a normative one. The latter is indeed normative in the same sense as that in which one might say that 'City Council ought to abolish rent control': as an instruction for achieving a desired end. If we wish to be forgiven by God, then we *ought* to acknowledge our sins. But it is doubtful whether propositions of the former kind can be thought of in purely positive terms. In the context in which they are made, such propositions make claims upon our willingness and ability to exercise the theological virtue of faith that merely empirical claims do not. It would appear that normatively charged 'definitions' abound in theological contexts, and the positive/normative distinction is much harder to draw. Nevertheless, expressly normative claims in theological settings do often depend on a substructure of positive claims – that God *desires* of humans that they acknowledge their sins, perhaps – that it is often useful to expose and interrogate. Moreover, *Christian* theology at any rate is supposed to rest on a body of evidence respecting 'the mighty acts of God', as recorded in Old and New Testaments, for which witnesses are claimed to have existed.

LIVING TOGETHER

In light of what we have said so far, we can catalogue the possible relations between theology and economics into four broad categories: *independence*; *dependence*; *convergence*; and *clash*. Although these possibilities are expressed as mutually exclusive categories, it is better to think of them in continuous terms, because issues of relation are unlikely to be settled by purely logical a priori considerations. What the relations are in practice, and whether claims broadly accepted in one field sit entirely happily with claims broadly accepted in the other, whether the analytic styles of the two enterprises are similar or dissimilar and whether such differences in style are in any way important – are all matters that have empirical content. And the empirical story is unlikely to be identical across all the matters that fall under the scope of economics and theology. Relations are matters of degree – and the degrees may differ across different aspects of the interaction.

But it is nevertheless useful to begin with 'ideal types', and we examine the four possibilities in turn.

Independence

Consider two intellectual enterprises – say, musicology and ornithology. For the most part, these proceed without reference to each other. Matters that interest the one are of no interest to the other. This is not to deny that there may be people who are interested in both at an amateur level – birdwatchers who like music, say; nor that there may be some smaller number who are professionals in one area and have amateur interests in the other.

But whether a musicologist is interested in birds or not is unlikely to exercise much influence, if any, on her competence as a musicologist or on the sort of musicology she does. Of course, we can *imagine* the musicologist of a rather technical stripe whose expertise lies in the mechanisms of the human voice and ear; and who is interested in the possible analogies with the ways in which birdsong is made and accessed by other birds. But such an overlap of interests is hardly mainstream within either group.

It could be that the relations between economics and theology are essentially of this kind. If this were so, each could properly go its own way without need to refer to the other. Theologians will of course operate as participants in the economy – buying and selling and saving for their old age and so on – and may be interested in what the stock market is doing, or whether interest rates are likely to rise. And economists may be Christian, and see theological matters as broadly relevant to some aspects of their spiritual lives. But the same thing might be said of Christian materials-scientists or Christian foresters: they may well be vitally interested in theology, but not expect theology to make any contribution *within* their professional intellectual enterprise.

Richard Whately, Drummond Professor of Political Economy at Oxford and subsequently (Anglican) Archbishop of Dublin, famously argued (1832) that the Bible transmits 'religious knowledge' but not 'scientific knowledge'. The latter, he thought, is to be discovered by observation of 'nature'. In that sense, scientific knowledge can throw no light on religion, and equally, theological methods can throw no light on science. In Whately's view, political economy was a science. Since modern economics is directly continuous with 19th-century political economy, the relation between economics and theology is essentially the same as the relation between chemistry and theology – total independence in each case.

With somewhat similar effect, it has been argued by Leszek Kolakowski (1982) that 'science' and 'religion' are non-intersecting, non-competing Wittgensteinian language games: no clash, no convergence – the two enterprises are totally orthogonal.

Dependence

The foregoing picture can be challenged at a number of levels. One kind of interdependence occurs when one or other enterprise claims epistemological sovereignty over the other. One might, for example, offer an account of theology that emphasizes the institutional processes whereby the allocation of grant monies affects the agenda of theological scholarship – a kind of 'economics of theological enquiry'. A Marxian account of the history of thought exhibits something of this character; and Marx was first and foremost an economist, who learned much of his craft from Ricardo and Adam Smith. Although Marxian economics is widely (and often somewhat ill-informedly) rejected by most contemporary economists, the explanatory agenda of the Marxian enterprise is in many ways not so very far from that of, say, the modern Chicago School.

An attempt along similar lines from the theological side might also be conceived. It might be held, and indeed sometimes is held, that the Bible contains a 'complete' and thorough-going presentation of all principles from which a 'true' economics can be constructed – and that the secular alternative is ontologically defective in not being based on Scripture. Economic 'creationists' are not quite as common as their biological counterparts. But some attempts to construct a distinctively 'Christian economics' seem very close, especially within the Dooyeweerdian, Neo-Calvinist School associated with the Free University of Amsterdam and its North American offshoots (e.g., Vickers, 1975, 1976; Tiemstra, 1990). It may be noteworthy that these endeavours have usually emanated from economists rather than from theologians.

More plausible than either of the foregoing extremes is the notion that although economics and theology are independent over a wide range, they overlap or are mutually informing in relation to some aspects of their respective enterprises. Here there are prospects of both convergences and clashes – and indeed of both convergence and clash operating simultaneously in different aspects. Let us offer some examples of each.

Convergence

One familiar point of intersection arises in relation to natural theology. If God is the 'author of nature', our study of the natural order can inform our understanding of the divine. Most famously, Newton's *Principia* was written for this purpose. For most 18th-century thinkers, science informed theology. Sometimes the relation can run the other way: a prior theological commitment can inform science. It is said that Einstein's commitment to the *general* theory of relativity was based largely on quasi-theological principles. 'God does not play dice with nature', Einstein is said to have affirmed.

In the spirit of Newtonian natural theology, it has sometimes been argued that the self-regulating properties of the market order demonstrate the existence of a benign and providential God. This is perhaps to interpret Adam Smith's 'benign deity' less metaphorically than Smith himself would have thought proper, but his use of that metaphor has certainly encouraged this interpretation – from Carey (1837) and Bastiat (1850) to Hill (2001). Still, what is at stake in any such exercise is to harness what are essentially

positive (though often contested) claims about the operation of the market order to an exercise in theological induction.

A related attempt at a kind of convergence arises in relation to theodicy – the attempt to explain how it is that a God who is both benign and omnipotent could allow evil in creation. A particular solution based on the supposition that *moral* evil is allowed so as to permit a greater good to emerge requires an analysis of the consequences of certain 'vices' (psychological dispositions) as they apply in relevant conditions. Here too essentially positive claims about the properties of the market order are used to show how 'cupidity' may be harnessed to benign ends. On some readings, modern economic analysis began in this way – under the appropriation of Augustinian theodicy by the Jansenists, Pierre Nicole and Jean Domat. Their pupil, Pierre de Boisguilbert, constructed the first more-or-less complete account of the interdependent processes of the free market from this starting point (Faccarello, 1999). In a somewhat similar move, Anglican theologians in the 19th century harnessed Malthusian population dynamics to the task of constructing a theodicy of the *physical* evil of scarcity (Waterman, 1991b).

In many ways, the now common economics assumption of predominant self-interest is congruent with theological conceptions of Sin and the Fall. In this respect, a central feature of theology and a central feature of economics come together and are seen as mutually reinforcing. Empirical evidence that agents are predominantly self-interested, and/or analytic results showing that apparently altruistic actions can be more or less fully explained by self-interest assumptions, stand as empirical evidence in favour of a particular view of the sinful human condition – the essentially '*crooked* timber of humanity' in Kant's phrase (authors' emphasis). Certainly there seems to be a basic consistency between the economic picture and the claim that humans fall short of common ideals of virtue. Whether, and to what extent, there is also consistency between the economistic emphasis on the 'redemptive' powers of the free market order and the theological insistence on the necessity of external divine intervention is less clear. This brings us to one aspect of the possibility of clash.

There is one notable possibility of 'convergence' operating directly within the intellectual division of labour: in the normative analysis of public policy when economics is supposed to supply the 'positive' element and theology the 'normative' element. In this way, economics and theology are married in a way somewhat analogous to the relation between demand and supply in the determination of market outcomes. Theology delivers the Christian principles that speak to pure normative questions of what ought to be desired; and economics delivers the constraints arising from the world as it is, which set the bounds on what is feasible. Economics is taken to be 'autonomous in its own sphere' as *Quadragesimo Anno* (Pius XI, 1931) put it, but that sphere is restricted to strictly 'positive' questions about the workings of the economic order. William Temple's classic *Christianity and Social Order* (1942) was based on this conception of the relation between the two disciplines. Economists have long paid lip service to the idea of economics as a pure science that cannot authorize them to offer 'a single syllable of advice' (Senior, 1836). But in practice, they have rarely been able to resist making policy recommendations of all sorts – recommendations that necessarily commit them to underlying normative foundations. As one influential moral philosopher has put it, thinking of economics as it is actually practised, 'economics is a branch of ethics' (Broome, 1999): a judgment with which Sidgwick and Marshall may have concurred.

It is worth emphasizing that if one accepts a picture of this kind, then economics and theology will be mutually indispensable in policy analysis. Like demand and supply (or preferences and opportunity sets), one cannot cut without both blades of the scissors. This observation suggests one possibility for a more acceptable 'Christian economics' than that proposed by the neo-Calvinists; and which could be regarded as alternative to that branch of economics traditionally referred to as 'welfare economics'. Of course, it can be questioned whether theology *does* deliver a clear ethical position of the kind that would be useful in normative analysis, and if so whether it is really distinct from conventional 'secular' ethics, indebted as secular ethics in the West are to a long history of broadly Christian influence. But it should not simply be assumed that there could be no place for a 'Christian economics' of this kind.

Clash

The foregoing immediately suggests one possibility of clash – namely, in relation to the normative foundations under which normative economics operates. Economists will routinely make policy recommendations about the foolishness (undesirability) of rent control or minimum wage laws or tariffs – appealing (often implicitly) to normative foundations that theologians might well be inclined to find unacceptable or at least highly contestable. So this is one issue worth exploring in somewhat greater detail. Simply put, what are the normative foundations of welfare economics? And how do they appear, viewed through a more or less standard theological lens?

But of course, this is not the only point at which conflict might emerge. As we noted earlier, both economics and theology are 'human sciences', or 'moral sciences' to use Hume's term. Both deal with an aspect of human experience; both appeal to a conception (in the terms of economics, a 'model') of man. And it is an open question whether these conceptions are really compatible.

It is important to note that this is not the same question as whether the conceptions are the *same*. On our picture, such conceptions are necessary abstractions, backgrounding aspects that are of less relevance in favour of aspects that are more relevant. And the issue of 'compatibility' itself is an unhelpful one if it is formulated in strictly logical terms, because the logical formulation accommodates a simple 'yes/no' response. It is in our view better to conceptualize the issue as one of 'tension', which can be greater or less. Alternative 'models' of human nature can sit side by side relatively comfortably if they are conceived as models – tools of analysis, in which the particular abstractions made are helpful for the purposes to which the analysis is to be put.

But this kind of epistemic modesty does not seem to be one that either economists or theologians find congenial. Economics, as we have already noted, is an imperialist beast, claiming the relevance of its general approach – including specifically its model of man embodied in the (predominantly selfish, entirely rational) *homo œconomicus* – to a very wide range of human activities. And theology, with its transcendent, cosmic aspiration, is no less inclined to consider its picture of the human condition as definitive and metaphysically prior. In other words, theology might accept *homo œconomicus* as a possibly useful abstraction in certain contexts but not concede that the Christian conception of the human condition is a 'model' in the same way. Overall, there is clear scope for tension over issues of how human activity is to be conceived, and what factors in such activity are most 'significant' – and what the relevant test of 'significance' might be.

It is also worth noting that tensions can arise in relation not so much to subject matter as to style. Two examples of tensions of this kind occur to us especially.

The importance or otherwise of exegesis

Although economists sometimes talk metaphorically of particular works being the 'bible' for economists, there is nothing in the economics discipline that approaches the status of the Bible as a fundamental theological text. The Bible is normative for theologians, and its exegesis and interpretation play a central role in theology totally unlike anything in economics circles. Indeed, economists are notorious for being disrespectful of their own past. It is the contents of the 'latest journals' that command most, indeed almost exclusive, attention. Moreover, the last 30 or 40 years have seen a declining professional interest in history of economic thought (HET), so that HET plays almost no role these days in the training of professional economists. Such HET specialists as remain tend increasingly to throw in their lot with intellectual historians more generally, or with 'science studies'. The effective intellectual presence of HET in leading centres of economics is therefore small and declining.

This fact gives economics a very different 'feel' from theology, for the latter cannot depart too far from its biblical roots. It is interesting to note in this connection that historians of economic thought seem disproportionately represented among self-styled 'Christian economists'. Exegetical skills seemingly do double duty! Perhaps the theological context of pre-industrial economic thought especially attracts the attention of theologically informed practitioners.

In terms of disciplinary style, however, the point remains that economics is largely a-historical and is so self-consciously. HET enjoys the same sort of status in economics as history of physics plays in physics. Theology is quite different in this respect.

The notion of intellectual progress

Relatedly perhaps, economists and theologians have rather different attitudes to the idea of intellectual progress. As the analogy with physics suggests, economists hold to a thoroughly 'modernist' attitude to knowledge, and many incline to the view that the progress of economics is a gradual march into all (economic) truth. Anything worthwhile in earlier writings is seen to have been absorbed into mainstream doctrine, so that reading the economics of the past is an exercise more of piety towards professional heroes than of serious economics. One possible contrast here is with philosophy. There, Plato and Aristotle, Hume and Locke, Hobbes and Kant are often taken to be more or less contemporary interlocutors. To engage in philosophy at all is to enter a conversation that includes great thinkers of the past. There are self-proclaimed Aristotelians, Thomists, Kantians, Humeans, Lockeans, all of whom claim to be applying the insights of their respective name-bearers to a new range of issues or defending positions earlier established against new-found 'heresies'. The situation in theology is much the same, though with one distinctive, extra gloss. Earlier theologians are sometimes identified as possessing a *special* authority, which contemporary contributors do not have. Thomas Aquinas and Augustine of Hippo, for example, having attained 'sainthood' status and been officially recognized as 'Doctors of the Church', are for that reason objects of pious deference in the present age.

These two considerations do not give rise to direct confrontation between economics and theology. But they are very significant differences of approach and 'posture' that make communication especially difficult. Indeed, in some ways direct confrontation between the disciplines might be recognized as an intellectual accomplishment, since genuine disagreement

can only emerge on a platform of prior propositions to which contestants are agreed. Often, however, the experience of conversation between theologians and economists is that of people talking past one another; and this is partly because basic attitudes towards epistemic and methodological issues are so different.

OF RATIONALITY AND SCARCITY

Rationality

As we have already noted, one source of possible substantive disagreement revolves around differing assumptions about human nature. In the case of economics it is useful to distinguish two features of so-called 'economic man': the assumption of rationality; and the assumption of predominant self-interest. The former concerns the *structure* of preferences; the latter concerns the *content* of preferences.

Before proceeding with rational self-interest, we must note the most controversial aspect of the economist's construction: their usual assumption that all individuals are basically the *same*. David Levy and Sandra Peart (2005) have shown that 'analytical egalitarianism' was a standard feature of the economists' approach to social explanation in the 18th and 19th centuries, and it brought them into conflict with an odd variety of bedfellows: eugenicists, conservatives with their belief in natural 'orders of men', and moralists. For moralists it seemed clear that even if 'all have fallen short', some had fallen shorter than others. The distinction between 'good' people and 'bad', between the virtuous and the vicious, appears to have been something that neither theologians nor moral philosophers were prepared to relinquish. The economists' standard simplifying assumption seemed to many to destroy any scope for the moral distinctions they deemed indispensable.

However, it is doubtful whether either motivational uniformity or predominant self-interest lies deep within the Lakatosian 'hard core' of the economists' research programme, though both are widely practised simplifications. The idea that some people might be more trustworthy, more benevolent or more creative than others would do no great violence to economic models – especially if trustworthiness, benevolence or creativity could be shown to have some place within the division of labour. And provided economic actors have *some* preference for their own individual well-being, the economistic doctrine that 'incentives matter' in social affairs would not disappear. Economic incentives would still play a significant role in altering behaviour 'at the margin'.

But though neither predominant self-interest nor motivational homogeneity is indispensable, the same cannot be said for the assumption of rationality. Rationality, for the economist, is 'core business'. As understood by economists it comes in a variety of forms and performs a variety of tasks. Most forms derive from a Humean conception in which there are three basic categories: action, desire and belief. An agent is said to be rational if his actions are such as to maximize the satisfaction of his desires, given his beliefs. So action can be thought of as pursuit of agents' purposes (things most desired). In practice, desires are usually aggregated and represented in terms of *preferences*; and the language of economics mostly proceeds in terms of 'preference satisfaction'. Moreover, the role of beliefs is usually backgrounded in the economics story, though it is presumed that agents will acquire 'rational' amounts of information: amounts that reflect the expected benefits and costs of (further) acquisition.

Furthermore, rationality is interpreted to impose a certain structure on preferences: that they be complete, transitive and convex. Thus, for any choice options X and Y, *completeness* requires one of: X is preferred to Y; *or* Y preferred to X; *or* the agent is indifferent. Incommensurability is excluded. *Transitivity* requires that if X is not preferred to Y, and Y is not preferred to Z, then X cannot be preferred to Z. Finally, *convexity* implies that if the cost of X in terms of Y forgone increases, one will consume less X: demand curves 'slope downwards'. It is this third assumption that does most of the predictive work in economics: changes in relative prices (incentives) lie at the core of economists' explanations of changes in behaviour.

It is worth noting that these are *structural* conditions on preference. They make no supposition as to what the Xs and Ys are. That latter issue is a matter of the 'content' of preferences. And though income (or material well-being) may be one obvious possible X, rationality does not strictly require this. Moreover, these structural properties could be in place without there being any connection between action and desire. Suppose, for example, that A was to choose his consumption bundles according to B's preferences, and B was to choose his according to A's preferences, with both preferences having the stipulated properties. Aggregate behaviour would follow all the standard predictions. All the predicted responses to relative price changes would be observed. But neither A nor B would be getting the bundles of goods that best satisfied his own true preferences (or purposes or desires).

It is worth noting these things because rationality in the Humean sense is not strictly required for much of the economists' predictive work. But rationality in that sense *is* necessary for something else that economists often do: namely, supplying a normative defence of liberal institutions such as markets and democracy, where the fulfilling of agents' preferences is

assigned normative weight. Rationality is implicated in the economists' presumptions in favour of the principle of consumer (more generally, individual) 'sovereignty', because if agents are fully rational then they will be perfect judges of their own interests/purposes/desires. They will routinely choose options that they believe will make their lives go best for them, given their beliefs about the consequences of their actions.

This idea seems alien to Christian notions of human nature. Theologians may therefore accept the assumption that human action exhibits a certain kind of abstract structure (rationalized as maximizing a 'utility function') but flatly deny any presumption that the fulfilment of individuals' desires/purposes has any normative weight at all. The position of theology is surely that humans are not 'rational' at all in our sense. They do not do what they have most reason to do. Their desires do not reflect their true interest. Their actual behaviour has no presumptive normative authority. Man is sinful. Agents know what they *ought* to do, but they do something else. And although human ability for self-deception is not to be underestimated, agents are aware of this. As St Paul puts it: 'That which I would not, that I do. And that which I would, I do not!'

The most natural way of construing the theological picture in 'utility function' terms is by reference to meta-preferences and weakness of will. But though these have played some role in economics from Adam Smith to Frank Knight and Amartya Sen, the idea is decidedly non-mainstream. The standard formulation of the 'fundamental theorems of welfare economics', for example, implies full rationality on the part of all.

One might, to be sure, defend liberal institutions on the safer ground that although agents' actions are far from a perfect reflection of their true interests, individuals are better judges of those interests than politicians, bureaucrats or even theologians. Moreover, even if this were not the case, the impossibility that any ruler or government could obtain the information necessary to implement its putatively benevolent designs must count strongly against all paternalistic policy.

These considerations can produce a genuine clash between economics and theology. Proponents of the latter are justifiably sceptical about human rationality. Proponents of the former are justifiably sceptical about human knowledge.

Scarcity

Rational choice implies scarcity. We have to choose A rather than B because we can't have both. 'Political œconomy', once the science of wealth, gradually mutated in the century after Malthus into 'economics', the science of scarcity. By the 1930s it had become 'the science which studies human behaviour as a relationship between given ends and scarce means which have alternative uses' (Robbins, 1932). Though some economists such as Whately and James Buchanan, following Adam Smith, have preferred to think of the science as 'catallactics', exchange itself implies scarcity. We give up some of our B in order to get more of your A because for us (though not for you) B is less scarce than A.

Scarcity is thus the relation of *resources* to *wants*, and because of the latter is inescapably subjective. It is very often open to us to deal with scarcity simply by reducing our wants. Saints of many religions have taught that happiness lies therein. Nevertheless, because we inhabit a finite world, some choices always have to be made by all. And as economists have long recognized, some of these are 'tragic' in the sense that they can only be a choice between evils. Scarcity is thus a cause of physical or moral evil, or both (Walsh, 1961).

Scarcity may result not only from the inordinate wants of some, but from the moderate wants of many. In Malthus's original formulation, scarcity becomes a major social problem because of increasing population and relatively fixed food-producing resources. Poverty for some is therefore inevitable. Malthus's proposal to ameliorate this by voluntary restriction of procreation was the original cause of the 'bitter quarrel'.

Many theologians are uneasy with the economists' conception of scarcity for at least three reasons. First, scarcity is a nasty example of the 'problem of evil'. Why did God create a world in which many, perhaps most, of his creatures are doomed to a Darwinian 'struggle for existence'? Malthus's partial solution had always appeared blasphemous to some; and a learned Dominican (Barerra, 2005) lately constructed a theodicy of scarcity that completely ignores population control as a remedy for world poverty.

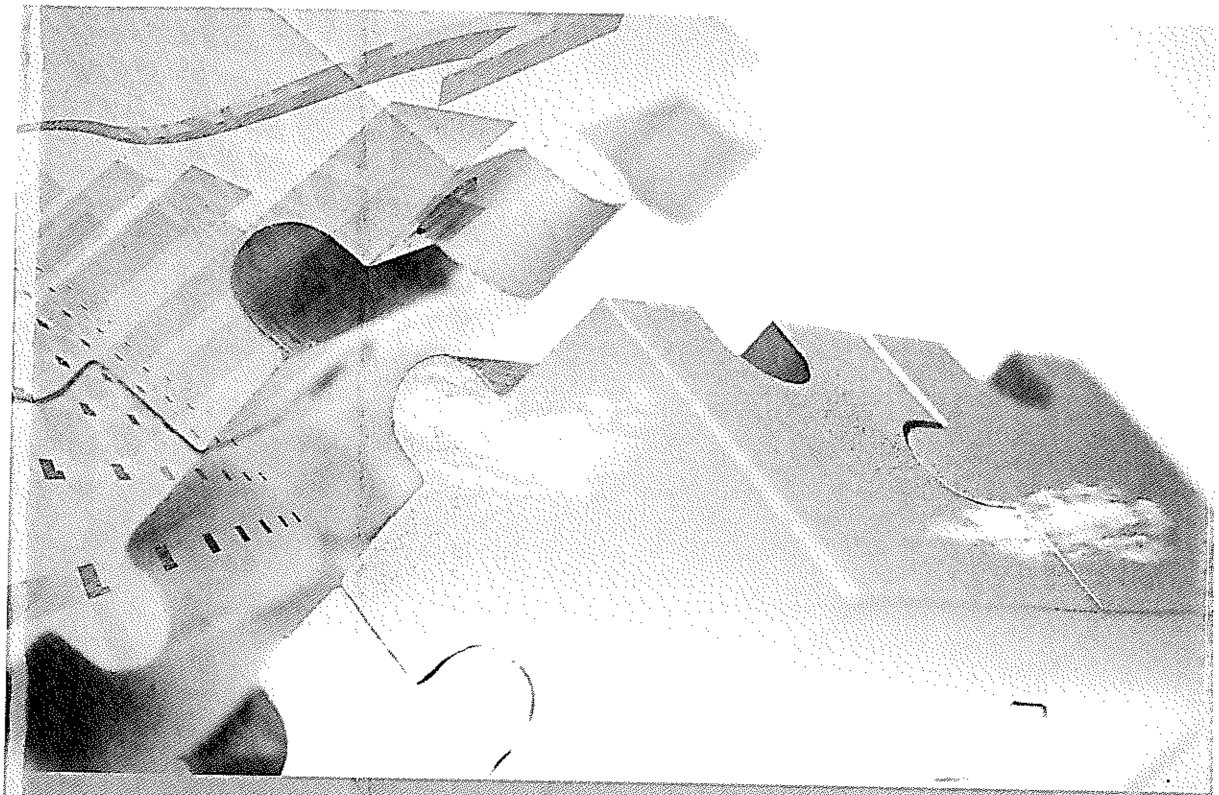
Second, the success of the early-19th-century Anglican economists' theodicy of scarcity was achieved at the cost of a bland acceptance of inequality, which they justified as a necessary incentive to socially useful behaviour. This offends the sensibilities of many present-day theologians, for whom inevitable poverty and a permanently stratified society are inconsistent with the Christian Gospel.

Third and most seriously, ineluctable scarcity in human affairs is an affront to a central Christian conviction: that the new life in Christ transcends all the limitations of time and space in which we now exist. When Christ fed the multitude with a few loaves and fishes he taught thereby that God has liberated us from scarcity, or at any rate will do so very soon. This world *ought not* to be a place in which we are constrained by physical limits. The economists' untroubled acquiescence in scarcity, and their elaborate calculus of our rational response to it, has outraged Christian Romantics

from the first. As Wordsworth put it: 'High Heaven rejects the lore/Of nicely calculated less or more'. Romanticism has been described as 'a revolt against the finite' (Lovejoy, 1941, pp. 263–4); and though by no means all Christian theologians are or have been Romantic in the modern period, the hope or belief that scarcity can and will be transcended is an important determinant of every theologian's 'angle of vision'. An influential American theologian has written of *The Beauty of the Infinite* (Hart, 2003).

Since the economists' angle of vision necessarily excludes the infinite, there must always remain – at some levels of discourse – an unavoidable clash between economics and Christian theology.

CHRISTIAN THEOLOGY AND MARKET ECONOMICS



Edited by
Ian R. Harper and Samuel Gregg

CHRISTIAN THEOLOGY AND MARKET ECONOMICS

There was a time when theologians and economists knew much more about each other's work than they do today. This book is dedicated to reconnecting two disciplines that study different dimensions of the human condition. The well respected contributors – economists, theologians, some both – explore the interaction of Christian theology and market economics, from the earliest times to the modern day. There is much to surprise, puzzle and edify serious students of theology and economics as well as the merely curious.

This unique work has a historical time-span reaching from Aristotle to the modern day, thus appealing to those interested in the history of ideas and economic thought as well as the links between theological and economic thought. Economists studying the intellectual roots of their discipline, as well as Christians researching the links between Christian beliefs and the worldly philosophy governing everyday commercial lives will also welcome it.

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