

JOURNAL
of
ASSOCIATION OF
CHRISTIAN ECONOMISTS

No. 1. Autumn 1985.

This first issue contains three main items.

1) 'Biblical principles and economic theory', an article by George Monnsma, of Calvin College, U.S.A.

2) 'Liberalism then and now', a review of Hayek's 'Serfdom' Revisited (N. Barry et al; IEA, 1984). The review is by Andy Hartropp (Baling College), Richard Levney (Henley Centre for Economic Forecasting) and Ted Smeall (Glasgow College).

3) A report on the ACE conference in September this year. The main speaker was Professor Bob Goudswaard, from the Free University of Amsterdam. His theme was 'A Christian Perspective on Economic Life'.

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Biblical Principles and Economic Theory*

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The first section of this paper examines some Biblical principles which have important implications for economic theory and practice. The second section contains a discussion of some principles regarding the methodology of economic theorizing and a critique of neoclassical economic models in light of these principles, together with some suggestions regarding the directions that an economic theory should go if it is to be based on a Christian perspective. The third section will apply the above to the relations of rich and poor internationally.

I. Biblical Principles Important for Economic Theory and Practice.

A. Revelation. God has revealed himself to us most perfectly by becoming incarnate in the person of Jesus Christ, but he has revealed himself, and teaches us about ourselves and the world in other ways as well. The Bible (special revelation), inspired by God, testifies to the incarnation, as well as to other actions of God in this world, and gives us guidance for our lives: "All scripture is inspired by God and profitable for teaching, for reproof, for correction, and for training in righteousness, that the man of God may be complete, equipped for every good work" (II Tim. 3:16-17).¹ God has also revealed himself through the world he has created and which he upholds (general revelation):

For what can be known about God is plain to them, because God has shown it to them. Ever since the creation of the world his invisible nature, namely, his eternal power and deity, has been clearly perceived in the things that have been made. (Romans 1:19-20)

Since these are revelations of a God who does not lie, they are consistent

*A paper prepared for the conference entitled: "International Economics and the Bible: A Dialogue" to be held at Bel Air Presbyterian Church, Los Angeles, October 23-27, 1980.

¹See also verses 14 and 15. The scripture verses cited are illustrative of the points stated; not all relevant verses are cited in each instance. When scripture is quoted, the Revised Standard Version is used. I have been helped in compiling Scripture references by Biblical Quotations on Justice, Stewardship and Economics, compiled by John H. Boer, and by Ronald Staer's Rich Christians in an Age of Hunger.

with each other. Special and general revelation should be used under the guidance of the Holy Spirit to illumine each other, and used together to guide our lives. Since neither is limited to some particular sphere of life, but deal with the totality of our relations with God, our fellow human beings, and the rest of God's creation, both are relevant to economics, and should be used when constructing economic theories or determining economic actions.

B. Stewardship.

1. The earth is the Lord's and the fulness thereof, the world and those who dwell therein; for he has founded it upon the seas, and established it upon the rivers. (Ps. 24:1-2)

Since God as creator is the owner of all things (including us), we are not owners of anything. We are only stewards of things that God has entrusted to us.² In addition, God has given all authority to Christ, the Redeemer; as he said: "All authority in heaven and on earth has been given to me" (Matt. 28:18). In view of this all persons are called to use the economic resources they have control over (including their own labor) as God commands; we are not autonomous beings entitled to use things as we please. This is the point of the parable of the talents in Matthew 25:14-30 (it is not that we should maximize the earnings from our capital).

2. The Bible gives us much evidence to guide us in the use of these resources. Genesis 1:26-31 indicates that natural resources have been given to humans to provide them with food (and by implication with other things necessary for life), but we are also taught to care for the earth and its resources. Adam was put in the garden of Eden to "keep it" as well as to "till it" (Gen. 2:15); the Israelites were to give the land a rest every seventh year, and their animals a rest every seventh day (Ex. 23:10-12); even in war time trees giving food were not to be destroyed (Deut. 20:19-20); the Israelites were to let the mother go free when taking eggs from a bird's nest, thus allowing the possibility for future generations (Deut. 22:6-7).

Regarding the purposes for which we are to use resources, the Bible consistently calls us to use them to provide justice (or equity). On the other hand I see no call in the Bible to use resources in order to continually increase the overall level of production, or to meet the desires of those with economic or political power, whatever those desires may be (these, of course, are two commonly stressed uses in our day).

God reveals himself as one who executes justice:
For the Lord your God is God of gods and Lord of lords, the great, the mighty, and the terrible God, who is not partial and takes no bribe. He executes justice for the fatherless and the widow, and loves the sojourner, giving him food and clothing. (Deut. 10:17-18)

²(See also Lev. 25:23.)

And:

There shall come forth a shoot from the stump of Jesse, and a branch shall grow out of his roots. And the Spirit of the Lord shall rest upon him, the spirit of wisdom and understanding, the spirit of counsel and might, the spirit of knowledge and the fear of the Lord. And his delight shall be in the fear of the Lord. He shall not judge by what his eyes see, or decide by what his ears hear; but with righteousness he shall judge the poor, and decide with equity for the meek of the earth; and he shall smite the earth with the rod of his mouth, and with the breath of his lips he shall slay the wicked. Righteousness shall be the girdle of his waist, and faithfulness the girdle of his loins. (Is. 11:1-5)³

And God also calls his people to act justly, in the economic sphere of life as well as in other spheres. This call goes out to all people:

A righteous man knows the rights of the poor; a wicked man does not understand such knowledge. (Prov. 29:7)⁴

But it goes out in a special way to those with governmental power, as King Lemuel was taught by his mother:

Open your mouth for the dumb, for the rights of all who are left desolate. Open your mouth, judge righteously, maintain the rights of the poor and needy. (Prov. 31:8-9)

And as the Lord said to the King of Judah through Jeremiah:

"Thus says the Lord: Do justice and righteousness, and deliver from the hand of the oppressor him who has been robbed. And do no wrong or violence to the alien, the fatherless, and the widow, nor shed innocent blood in this place."

³See also Is. 25:4; 41:17; Ezek. 34:16, 21-24; Lk. 4:16-21.

⁴See also Ex. 22:21-24; Deut. 10:19; 27:19; Prov. 14:31; Jer. 7:5-7; Ezekiel 18:5-9, 15-18; Micah 6:8.

run by means of interest-free loans which were to be canceled every seventh year:

"If there is among you a poor man, one of your brethren, in any of your towns within your land which the Lord your God gives you, you shall not harden your heart or shut your hand against your poor brother, but you shall open your hand to him, and lend him sufficient for his need, whatever it may be. Take heed lest there be a base thought in your heart, and you say, 'The seventh year, the year of release is near, and your eye be hostile to your poor brother, and you give him nothing, and he cry to the Lord against you, and it be sin in you. You shall give to him freely, and your heart shall not be grudging when you give to him; because for this the Lord your God will bless you in all your work and in all that you undertake.'" (Deut. 15:7-10)⁷

There were also restrictions against keeping a cloak or a mill (or by implication any necessity) as security for such a loan, and provisions to safeguard the dignity of the borrower (Ex. 22:25-27; Deut. 24:6, 12-13). These laws regarding food and loans gave each family (and individual separate from a family) access to the necessities of life at all times.

But the Lord did not stop with laws giving all persons access to basic consumption goods. He also gave laws regarding the distribution of "ownership" (stewardship) and control of the basic resources of production in the society. Israelites were not to be sold into perpetual slavery:

"If your brother, a Hebrew man, or a Hebrew woman, is sold to you, he shall serve you six years, and in the seventh year you shall let him go free from you. And when you let him go free from you, you shall not let him go empty-handed; you shall furnish him liberally out of your flock, out of your threshing floor, and out of your wine press; as the Lord your God has blessed you, you shall give to him." (Deut. 15:12-14)

If they became poor and had to temporarily serve another they were to be treated as hired servants or sojourners rather than as slaves (Lev. 25:39-43; here the command is to set them free in the year of jubilee). In addition, the land could not be sold in perpetuity; rather it was to stay with the family to whom it had been entrusted by God when the land

⁷See also Lev. 25:35-37; Deut. 15:1-2; 23:19-20.

"Do you think you are a king because you compete in cedar? Did not your father eat and drink and do justice and righteousness? Then it was well with him. He judged the cause of the poor and needy; then it was well. Is not this to know me? says the Lord." (Jeremiah 22:3, 15-16)⁵

God gives us much evidence in the Bible concerning standards for economic justice. The Mosaic economic laws are one fruitful source for guidance here. Although I do not believe that these laws, which were given for an agrarian society in a very different economic situation than our country is in today, are binding on us in their particular form, by examining them and the results they would give if followed we can learn much about what is required if an economic structure and actions within it are to be just. This is especially true when there is support for what we deduce from the Mosaic laws in other parts of Scripture.

The Mosaic laws limited the property rights of the human stewards of God's resources in such a way as to assure both short- and long-run provision of necessary material goods to all families (and individuals). They provided all people with access to food at all times through limitations on the rights of farmers to completely harvest their own crops, with the right to what remained given to the poor:

"When you reap the harvest of your land, you shall not reap your field to its very border, neither shall you gather the gleanings after your harvest. And you shall not strip your vineyard bare, neither shall you gather the fallen grapes of your vineyard; you shall leave them for the poor and for the sojourner: I am the Lord your God" (Lev. 19:9-10),⁶

through tithes that were partly for the poor (Deut. 14:28-29), through the right given to the poor to whatever the land produced in the sabbatical year (Ex. 23:10-11), and through the right to eat in a neighbor's field or vineyard (Deut. 23:24-25).

The poor were also given access to necessities in the short-

⁵See also Ps. 82; Is. 3:14-15; 10:1-4; 16:3-5. Note that these calls to justice were not limited to rulers of Israel and Judah. The call for justice in Psalm 82 refers to God as Judge of the whole earth, and owner of the nations, and Lemuel, quoted above, was king of Massa, an Arab tribe (Alexander and Alexander, 1973, p. 361).

⁶See also Deut. 24:19-21.

was settled. If a family became so poor that it had to sell its land, the land was to be returned to it in the year of jubilee. The family also had the right to redeem the land at any time it was able to do so, at a price determined by the number of years until the year of jubilee (Lev. 25:8-17, 23-34). These laws, if followed, assured each family in the long-run control over the resources (wealth) necessary for them to be active, decision-making, producers for their own needs (and for the needs of some of those who were temporarily poor). In the long-run none would be forced to live from the charity of others, or even to earn a living by working under the orders of others. Rather each family was given an opportunity to respond to God's call to be a steward over the world's resources by being given control over their own labor and a share of the land and working-capital (which was to be given to the slaves when set free) needed to produce a living in an agrarian society. Note that these laws severely limited the degree to which "ownership" and control over wealth (in particular over productive resources) could become concentrated into a few hands. Indeed, if each family is to have the opportunity for productive, stewardly use of resources in a way that it can meet its own needs, there must be limits on the concentration of wealth, income, and economic power.

Along with these laws, the Lord gave a promise:

"But there will be no poor among you (for the Lord will bless you in the land which the Lord your God gives you for an inheritance to possess), if only you will obey the voice of the Lord your God, being careful to do all this commandment which I command you this day."
(Deut. 15:4-5)

The promise and the laws were not arbitrarily linked. If the laws were obeyed there would be no families who were continually poor in the sense of not being able to provide for themselves or not having a share in the stewardship responsibilities of the society, and those who were temporarily poor by these standards would at least be provided with access to the goods necessary for life in their society as a matter of right, as long as the weather was good enough to provide adequate harvests (and this would be part of the Lord's blessing on them if they kept his commandments). Thus we can conclude from the Mosaic laws that a society, in order to be economically just, must provide all with access to the basic necessities for life in that society, and must provide all with opportunities for producing for their own needs in a context which gives them control over their own labor and a portion of the other resources of society.

Such a judgment is reinforced by the testimony of the prophets, who conveyed the Lord's condemnation upon Israel and Judah when they failed to exercise proper stewardship of their economic resources. After the moving parable of the vineyard in Isaiah 5:1-7, the Lord condemns those

who build up concentrations of wealth (houses and land) to the extent that others cannot support themselves:

Woe to those who join house to house,
who add field to field,
until there is no more room,
and you are made to dwell alone
in the midst of the land.

The Lord of hosts has sworn in my hearing:

"Surely many houses shall be desolate,
large and beautiful houses, without inhabitant.
For ten acres of vineyard shall yield but one bath,
and a homer of seed shall yield but an ephah." (Is. 5:8-9)

And in Jeremiah 34:8-22 the Lord condemns those who rob others of their own labor by re-enslaving them after they had been set free following their prescribed terms of service. The Lord also condemns nations and their rulers for failing to uphold the rights of the poor (Is. 10:1-4) and condemns those who live in luxury in the face of poverty (Is. 3:16-4:1; Amos 6:4-7). The Lord punished the people for their injustice with famine but even this did not bring them to repentance so the Lord sent them into exile (Amos 4, 5, and 6). But always there is the call to repent and turn from these evil ways; the call to establish governmental justice (see, e.g., the passage from Jeremiah 22 quoted above), and to use justly the resources God has entrusted to them:

"Is not this the fast that I choose:
to loose the bonds of wickedness,
to undo the thongs of the yoke,
to let the oppressed go free,
and to break every yoke?

Is it not to share your bread with the hungry,
and bring the homeless poor into your house:
when you see the naked, to cover him,
and not to hide yourself from your own flesh?
Then shall your light break forth like the dawn,
and your healing shall spring up speedily;
your righteousness shall go before you,
the glory of the Lord shall be your rear guard.
Then you shall call, and the Lord will answer:
you shall cry, and he will say, Here I am.
If you take away from the midst of you the yoke,
the pointing of the finger, and speaking wickedness,
if you pour yourself out for the hungry
and satisfy the desire of the afflicted,
then shall your light rise in the darkness
and your gloom be as the noonday.

And the Lord will guide you continually,
 and satisfy your desire with good things,
 and make your bones strong;
 and you shall be like a watered garden,
 like a spring of water, whose waters fail not.
 And your ancient ruins shall be rebuilt;
 you shall raise up the foundations of many generations;
 you shall be called the repairer of the breach,
 the restorer of streets to dwell in. (Is. 58:6-12)⁸

The New Testament, speaks less about the justice or injustice of particular legal economic structures (perhaps because the people to whom it was primarily addressed had no control or influence over these). But it does continue the strong emphasis of the Old Testament on caring for the poor and being of service to those in need. Christ's teachings and actions show his concern for and aid to the poor. Near the beginning of his ministry he said in the synagogue at Nazareth:

"The Spirit of the Lord is upon me,
 because he has anointed me to preach good news to the poor.
 He has sent me to proclaim release to the captives
 and recovering of sight to the blind,
 to set at liberty those who are oppressed,
 to proclaim the acceptable year of the Lord." (Luke 4:18-19)

And when John the Baptist asked from prison if he is the Messiah, Jesus said:

"Go and tell John what you hear and see: the blind receive their sight and the lame walk, lepers are cleansed and the deaf hear, and the dead are raised up, and the poor have good news preached to them." (Matt. 11:4-5)

Christ called his followers to tend to those from whom they could not expect repayment (Lk. 6:32-36) and to invite to their feasts "the poor, the maimed, the lame, the blind", who could not repay them (Lk. 14:12-14). He told them he came "not to be served but to serve" (Matt. 20:21) and illustrated this graphically to them by washing their feet on the night he had his last supper with them (John 13:1-17). In fact his whole life was a life of service to those who were poor in one way or another, culminating in his ultimate sacrifice for us on the cross.

Christ calls all people to follow his example by giving their lives in service to others who are in need. It is clear from the teaching of

⁸Other relevant prophetic passages include: Is. 1:11-17; 23-26; Amos 2:6-8; 8:4-14; Micah 2:1-4; 3:1-4).

Christ and the apostles that being of service to those with economic needs is an important part of the Christian life for those who have the resources which enable them to be of such service. In addition to the passages already cited this is taught in Christ's account of the last judgment contained in Matt. 25:31-46, where the things that distinguished the sheep from the goats were whether they had fed the hungry, gave drink to the thirsty, welcomed the stranger, clothed the naked, and visited those in prison. Paul calls upon the Corinthian Christians to use their abundance to supply the needs of other Christians (II Cor. 8:8-15), and in I Timothy 6:18 he charges the rich "to do good, to be rich in good deeds, liberal and generous". James stresses the concern that should be shown toward the poor and calls the rich oppressors (James 1:27-2:7; 5:1-6), and he uses aid for the poor to show that a living faith will be demonstrated through works. And John, in a very moving passage, tells us the source of our ability to serve others economically, and the example we are to follow:

By this we know love, that he laid down his life for us; and we ought to lay down our lives for the brethren. But if any one has the world's goods and sees his brother in need, yet closes his heart against him, how does God's love abide in him? Little children, let us not love in word or speech but in deed and in truth. (I John 3:16-18)⁹

In the New Testament as in the Old the Lord calls people to work, using their labor to provide for their families and those who are in need. For example we read in Ephesians 4:28: "Let the thief no longer steal, but rather let him labor, doing honest work with his hands, so that he may be able to give to those in need."¹⁰ Since all are called to work to support themselves and their families a just society must provide opportunities for this, at least over a period of time, as was done by the Mosaic Laws.¹¹

There is little direct discussion of the standards for a just income and wealth distribution in the New Testament. The requirements that the needs of the poor be met, and the call for families to work to support themselves certainly put limits on the degree of inequality of distribution of both income and wealth that is just, because unless each family has a certain amount of income and wealth (the amounts varying

⁹See also Gal. 6:2,9,10; Eph. 4:28; Phil. 2:1-11.

¹⁰See also Prov. 28:19; I Thess. 4:11-12; II Thess. 3:6-13; I Tim. 5:8.

¹¹That women as well as men are called to such work and care for the needy is shown by the description of the good wife in Proverbs 31:10-31, who engages in business affairs as well as household duties and gives aid to the poor and needy.

with the conditions in their society), these things cannot be accomplished. Paul says that those who refuse to work should not eat (II Thess. 3:10), but there is no evidence that the market values of resources controlled and offered for use in the economy should determine the income received by a family. Paul also says that an equality of goods is desirable among Christians (II Cor. 8:8-15), and the type of sharing that he called for was practiced within the early church (Acts 2:44-45; 4:32-37).

The governmental role in establishing economic justice (or more broadly encouraging proper stewardship) is not, to my knowledge, addressed directly in the New Testament. But Paul does indicate in Romans 13:1-7 that rulers are God's servants for good, and for the restraint and punishment of evil, and there is no indication that the economic sphere is excluded in this. Nor is there any indication that the Old Testament commands to rulers to establish economic justice are canceled in the New Testament era. In view of this, and in view of the fact that governments cannot be neutral with regard to the distributions of income and wealth (because, e.g., they must establish some system of property rights and these strongly influence the distributions of wealth and income), we must conclude that governments as well as individuals are still called upon to establish justice in their societies, and that Christians who have the opportunity to influence government actions should work to achieve justice through governments as well as by their private use of their resources.

3. In sum then, the Biblical evidence regarding proper stewardship of God's resources indicates that:

- a. Those who have been entrusted with resources have only a limited right to the personal use of them or the goods they can produce.
- b. Those who have been entrusted with resources have a duty to use them productively in order to meet their own family's needs and to meet the needs of others who do not have enough to meet their own needs.
- c. Societies have a duty to provide just structures (including systems of property rights). For structures to be just they must at least:
 - i. Assure all families access to the basic necessities of life at all times;
 - ii. Provide all families with the opportunity to develop and use their God-given talents and other resources in such a way that they can provide for their own needs, at least in the long-run;
 - iii. Provide all families with the economic freedom necessary to enable them to exercise responsible economic

stewardship of their resources, at least in the long-run (this includes having decision-making opportunities in the use of their resources in production as well as in consumption); and

iv. Place limits on the concentrations of wealth, income, and economic power in the society (for this is necessary in order to achieve the first three).

d. Individuals and societies must care for their natural environment, and not exhaust its resources to such an extent that future generations lack the possibility of providing all with the things listed in c above.

C. Wealth. Wealth is sometimes a gift from God:

And Isaac sowed in that land, and reaped in the same year a hundredfold. The Lord blessed him, and the man became rich, and gained more and more until he became very wealthy. He had possessions of flocks and herds, and a great household, so that the Philistines envied him. (Gen. 26:12-14)¹²

But wealth is also sometimes the result of evil actions of men:

"For wicked men are found among my people; they lurk like fowls lying in wait.

They set a trap; they catch men.

Like a basket full of birds, their houses are full of treachery; therefore they have become great and rich, they have grown fat and sleek.

They know no bounds in deeds of wickedness; they judge not with justice

the cause of the fatherless, to make it prosper, and they do not defend the rights of the needy." (Jer. 5:26-28)

And:

Come now, you rich, weep and howl for the miseries that are coming upon you. Your riches have rotted and your garments are moth-eaten. Your gold and silver have rusted, and their rust will be evidence against you and will eat your flesh like fire. You have laid up treasure for the last days. Behold, the wages of the laborers who mowed your fields, which you kept back by fraud, cry out; and the cries of the harvesters have reached the ears of the Lord of hosts. You have lived on the earth in luxury and in pleasure; you have fattened your hearts in a day of slaughter. You have condemned, you have killed the righteous man; he does not resist you. (James 5:1-6)¹³

¹²See also Deut. 8:18; I Kings 3:13

¹³See also Prov. 16:8; Prov. 28:6; Jer. 22:13-17; Luke 16:19-31

But regardless of how it has been obtained, the Bible teaches several things concerning it:

1. It is not the most important thing in life:
Better is a little with the fear of the Lord
than great treasure and trouble with it.
Better is a dinner of herbs where love is
than a fattened ox and hatred with it. (Prov. 15:16-17)¹⁴
2. We should not put our trust in it:
He who trusts in his riches will wither,
but the righteous will flourish like a green leaf. (Prov. 11:28)
"As for the rich in this world, charge them not to be haughty, nor to set their
hopes on uncertain riches, but on God who richly furnishes us with everything
to enjoy" (I Tim. 6:17).¹⁵
3. We should not orient our lives toward the seeking of wealth:
But those who desire to be rich fall into temptation, into
a snare, into many senseless and hurtful desires that plunge
men into ruin and destruction. For the love of money is the
root of all evils; it is through this craving that some have
wandered away from the faith and pierced their hearts with
many pangs. (I Tim. 6:9-10)

Rather we should be content with what is necessary for our lives (I Tim. 6:6-8;
Heb. 13:5-6).

4. More wealth is not always better than less wealth; we can have too
much wealth for our own good as well as too little wealth. As Agur prays in
Proverbs 30:8 and 9:

Give me neither poverty nor riches;
Feed me with the food that is needful for me,
lest I be full, and deny thee, and say,
"Who is the Lord?"
or lest I be poor, and steal, and profane the
name of my God.¹⁶

5. Wealth always belongs to God; we are only stewards of it, not owners
of it. Thus we must use it as God commands to establish justice; to live in
luxury in a world where poverty exists is a sin.

¹⁴See also Prov. 3:13-18; 16:16, 19; 17:1.

¹⁵See also Ps. 52:1-7; Prov. 11:4; Jer. 9:23; 48:7; Luke 12:15-21;
James 5:1-6; Rev. 3:14-18.

¹⁶See also Hosea 13:4-8; Matt. 19:16-30.

¹⁷See passages cited in Section I, B, "Stewardship", above.

D. Sin. "All have sinned and fall short of the glory of God" (Romans 3:23).
This sinfulness affects all aspects of our lives, including the economic
aspect. Both individual and collective economic actions are affected by
sin.

1. Sin causes individuals and societies to be unfaithful stewards of
the resources God has entrusted to them. God condemns those who are un-
just stewards, who cause and allow poverty to exist when there is enough
for all. This condemnation is given both to individuals: "He who gives to
the poor will not want, but he who hides his eyes will get many a curse" (Prov. 28:27), and to societies or nations. Sodom was destroyed at least
in part because she was affluent "but did not aid the poor and needy" (Ezek. 16:49-50), and Israel and Judah were sent into exile at least in
part because of the economic injustice in their societies (Amos 5 and 6;
Zech. 7:8-14).¹⁸

It is clear from the Scriptures that formal acts of "worship" and pro-
fession of faith cannot take the place of proper stewardship. The Lord
says through Amos

"I hate, I despise your feasts,
and I take no delight in your solemn assemblies.
Even though you offer me your burnt offerings and cereal
offerings, I will not accept them,
and the peace offerings of your fattened beasts
I will not look upon.
Take away from me the noise of your songs;
to the melody of your harps I will not listen.
But let justice roll down like waters, and righteousness
like an everflowing stream." (Amos 5:21-24)

and through James

What does it profit, my brethren, if a man says he has faith
but has not works? Can his faith save him? If a brother or
sister is ill-clothed and in lack of daily food, and one of you
says to them, "Go in peace, be warmed and filled," without
giving them the things needed for the body, what does it
profit? So faith by itself, if it has no works, is dead.
But some one will say, "You have faith and I have works." Show
me your faith apart from your works,¹⁹ and I by my works will
show you my faith. (James 2:14-18)

The Lord calls for repentance, that is, for a turning from the unjust acts
to just ones, and promises blessings on those who do so. As he says
through Isaiah:

¹⁸In addition to other relevant passages already cited in Section I, B
above, see also Deut. 27:17, 19; Ezek. 18:10-13; Mk. 12:38-40; Luke 16:19-31;
James 5:1-6.

¹⁹See also Is. 1:10-17; 58:1-12.

"Wash yourselves; make yourselves clean; remove the evil of your doings from before my eyes; cease to do evil, learn to do good; seek justice, correct oppression; defend the fatherless, plead for the widow.

Come now, let us reason together, says the Lord: though your sins are like scarlet, they shall be as white as snow; though they are red like crimson, they shall become like wool. If you are willing and obedient, you shall eat the good of the land."²⁰ (Is. 1:16-19)

2. Sin distorts both our knowledge and our wills, and both of these distortions lead to sinful economic actions, as well as sinful actions in other areas of life. Regarding their ignorance, the Lord tells the church at Laodicea through John: "For you say, I am rich, I have prospered, and I need nothing; not knowing that you are wretched, pitiable, poor, blind, and naked" (Rev. 3:17).²¹ Regarding those whose wills are turned against the Lord, he says through Isaiah:

And now, go, write it before them on a tablet, and inscribe it in a book, that it may be for the time to come as a witness for ever.

For they are a rebellious people, lying sons,

who will not hear the instruction of the Lord; who say to the seers, "See not";

and to the prophets, "Prophecy not to us what is right; speak to us smooth things,

prophecy illusions,

leave the way, turn aside from the path,

let us hear no more of the Holy One of Israel."

Therefore thus says the Holy One of Israel,

"Because you despise this word,

and trust in oppression and perverseness,

and rely on them;

therefore this iniquity shall be to you

like a break in a high wall, bulging out, and about to collapse,

whose crash comes suddenly, in an instant;

²⁰See also Is. 58:6-12; Jer. 7:5-7; 22:15-16; Ezek. 18:5-9, 14-17; 33:14-16; Luke 6:35, 38; 14:12-14; Gal. 6:9-10; I John 3:16-22.

²¹See also Prov. 12:15; 14:12; Jer. 10:14; Rom. 1:21-25; I Cor. 1:20-21; 3:18-20; James 3:13-17.

and its breaking is like that of a potter's vessel which is smashed so ruthlessly that among its fragments not a sherd is found with which to take fire from the hearth, or to dip up water out of the cistern."²² (Is. 30:8-14, emphasis added)

3. Sin keeps people enslaved to false gods (idols), which in the end bring them to ruin. Two such idolatries which are particularly involved with economics today, as well as in Biblical times, are individualism and materialism.

Individualism is the sin of putting oneself and one's own desires in the place of God and his commands. Economically it involves believing that what one has is the result of one's own actions alone, rather than a gift, in trust, from God, and putting one's own desires for the use of goods in place of God's commands regarding the use of them. Surely the warning God gave to Israel through Moses before they entered the promised land is relevant to us today as well:

"Take heed lest you forget the Lord your God, by not keeping his commandments and his ordinances and his statutes, which I command you this day: lest, when you have eaten and are full, and have built goodly houses and live in them, and when your herds and flocks multiply, and your silver and gold is multiplied, and all that you have is multiplied, then your heart be lifted up, and you forget the Lord your God, who brought you out of the land of Egypt, out of the house of bondage, who led you through the great and terrible wilderness, with its fiery serpents and scorpions and thirsty ground where there was no water, who brought you water out of the flinty rock, who fed you in the wilderness with manna which your fathers did not know, that he might humble you and test you, to do you good in the end. Beware lest you say in your heart, 'My power and the might of my hand have gotten me this wealth.' You shall remember the Lord your God, for it is he who gives you power to get wealth; that he may confirm his covenant which he swore to your fathers, as at this day. And if you forget the Lord your God and go after others gods and serve them and worship them, I solemnly warn you this day that you shall surely perish. Like the nations that the Lord makes to perish before you, so shall you perish, because you would not obey the voice of the Lord your God."²³ (Deut. 8:11-20)

Materialism involves making goods one's god, trusting in them as one's source of security, believing that more goods are always better than fewer goods. This is contrary to the teaching of scripture in Proverbs 11:4:

²²See also Luke 6:45; I Tim. 6:9-10; II Tim. 3:1-5; I John 2:15-17.

²³See also Ps. 10 and II Tim. 3:2-5.

"Riches do not profit in the day of wrath, but righteousness delivers from death" and Hebrews 13:5: "Keep your life free from love of money, and be content with what you have; for he has said, 'I will never fail you nor forsake you'."²⁴

E. Redemption. Christ, through his perfect life and his sacrifice on the cross, has freed those who believe on him from bondage to idolatries (including individualism and materialism). As we read in I Peter 1:18 and 19: "You know that you were ransomed from the futile ways inherited from your fathers, not with perishable things such as silver or gold, but with the precious blood of Christ, like that of a lamb without blemish or spot."²⁵ This freedom enables those who trust in Christ to show his love for the world through a life of service to others, including economic service. This love and service was evidenced in the early church: "There was not a needy person among them, for as many as were possessors of lands or houses sold them, and brought the proceeds of what was sold and laid it at the apostles' feet; and distribution was made to each as any had need" (Acts 4:34-35).²⁶ And although Christians are set free from bondage to idolatries, we must all confess with Paul that in this life "I do not the good I want, but the evil I do not want is what I do" since sin still dwells within us (Romans 7:19). No one leads a perfect life, in the economic sphere, or in any other sphere.

F. Faith influences all of life. As should be clear from the above, one's faith influences all of one's life. We are called to show love for God and our neighbors in all of life; there can be no religiously neutral area of life. Thus all economic theories and actions are influenced by the faith of the person devising or engaging in them. And this is true both of actions with respect to "private" property and of actions with respect to governments or other social institutions.

G. Individuals cannot exist alone. People are never isolated individuals; they are social beings. They cannot escape their relationship to God. As the Lord said through Jeremiah: "Can a man hide himself in secret places so that I cannot see him? says the Lord. Do I not fill heaven and earth? says the Lord" (Jeremiah 23:24).²⁷ It is a central teaching of scripture that our meaning in life comes from our relationships with God and with our neighbors, and not from ourselves as solitary individuals. This is clear from the fact that our basic calling in life is to love God with all our heart, soul, strength, and mind and to love our neighbor as ourselves (Luke 10:25-28). Therefore, at their essence economic actions, as all actions, involve relations with other beings (God and our neighbors), and thus they are social actions.

²⁴ See also the references under I, C, 2 and 3, above and Matt. 13:22 and II Tim. 3:2-4.

²⁵ See also Rom. 6:3-11; Eph. 1:3-2:10; Col. 3:1-5.

²⁶ See also I John 3:16-18 quoted above, and John 13:12-17; Acts 2:44-46; 4:36-37; II Cor. 8:1-14; Eph. 4:22-24, 28.

²⁷ See also Ps. 139:7-12.

II. Methodology of Economic Theory and Neoclassical Models in Light of these Biblical Principles.

A. Methodology.

1. It will perhaps be helpful to review some basic methodological principles before looking specifically at the implications of the Biblical principles discussed above for economic theory. All analysis, economics included, involves abstraction, the selection for use in the analysis of only a small proportion of the facts concerning the situation to be analyzed. This is necessary because any situation involves more facts than can be handled at one time by our limited human capabilities. (Although the number of facts that can be handled has been greatly increased by modern data processing technology, it is still very limited in relation to the total universe of facts that are involved in any situation we may wish to analyze.) When the data for use in the analysis have been selected, an attempt is made to relate the data to each other in meaningful ways; that is, models are built using the data. Since all the data concerning a situation are never considered, assumptions and generalizations that are not completely true to reality are always used in model building, and the models are never fully accurate reflections of reality. Often different facts will be abstracted and different models created by various persons to explain a given situation, if the various model-builders have different purposes in mind. Maps are a familiar non-economic example; a different map of a given area will be more appropriate for a pilot than for a driver of an automobile.

There are many ways in which economic models have been categorized. One that is particularly relevant here is the distinction between positive and normative models. Positive models attempt to describe a real or hypothetical (potential) situation, and often to predict what would happen if certain aspects of that situation were changed, but they do not attempt to evaluate them, that is, they do not state whether the situations or changes are good or bad. Normative models, on the other hand, do attempt to evaluate actual or hypothetical situations and changes in them. They often attempt to describe "what ought to be," rather than limiting themselves to the "what is" or "what might be" of positive models. Although a distinction can be made between positive and normative models, this does not mean that the two are unrelated. Just as the type of travel one wanted to undertake should influence the type of information one would want on a map, the goals one has for the economy (which are an important part of one's normative models, of course) will influence the things one should attempt to describe in his or her positive models. Likewise the results of one's positive models will influence the evaluation of particular actions in one's normative models, because the positive models will tell something about the results of these actions. Thus although it is possible, and at times useful, to distinguish between positive and normative models, for any reasonably consistent economist the two types will be closely related, and both will be influenced by the values of the economist. (They certainly will be influenced by some

operative values, whether or not the economist professes them or even realizes that they are influencing his or her work.)

Once a model is built, it is desirable to test it, to see how accurately it represents reality. One important aspect in this is to test how accurate the particular predictions of the model are. But it is also very important to test to what extent the model correctly predicts all of the important outcomes of the actions the model is dealing with. Of course the judgment of this and thus the evaluation of positive models will vary from person to person, depending in part on what each thinks is important in our economy. For example, regarding models that predict the results of changes in tax rates, a person who was only concerned with the balance in the government budget would judge the model that most accurately predicted the change in revenue to be the best model, whereas persons interested in the level of GNP, level of unemployment, distribution of income, or other goals might consider other models, which were better predictors of the things that they were interested in, better models. The coverage of models is particularly important because people using the models may come to stress the factors for which predictions are available, and ignore other factors, even if these other factors are very relevant according to their ethical beliefs.

The testing of models should not be limited to the testing of predictions, however. It is also desirable to test how closely the assumptions and generalizations of the model conform to reality.²⁸ Testing of the assumptions and generalizations can be useful in avoiding the unfortunate tendency to make invalid jumps from assumptions (which may be valid for use in a model even if they don't conform very closely to reality) to generalizations that what is assumed is in fact generally true, or even to assertions that what is assumed is always true or ought to be true. For example, it may be appropriate in some models to assume that the goal of all firms is the maximization of profits. Even if models containing that assumption give good predictions, it is desirable to test such an assumption to avoid the error of thinking that all firms do indeed maximize profits, or talking as if that were the only goal of firms when describing the economy. Unfortunately errors of the latter type are all too easy to find in the works of economists, from Adam Smith down to the present day. Furthermore, I believe that the testing of the assumptions of models can help economists and users of their models to obtain a more accurate understanding of the full workings of the actual economy, and thus can be helpful in alerting them to potential problems of inaccurate extrapolation

²⁸Of course many economists disagree with this statement. For a forceful and eloquent statement of the opposite position see Friedman, 1953, pp. 3-43.

from their current range of experience,²⁹ and to relevant aspects of the situations and actions they are analyzing that are presently neglected by their models.³⁰

Experiments in which all of the relevant variables can be controlled by the experimenter are useful in testing models, but these are rarely possible in economics. Instead models usually have to be tested against data from the actual working of economies, in which many variables are changing at the same time (both variables included in the model and some relevant ones that have been left out). Statistical techniques to sort out the relationships in such cases are by no means perfect, in spite of the sophistication of modern econometrics.

Even if there were no problems of this sort with statistical testing, however, it would still not be adequate by itself to test economic models. Statistical testing can never prove that a theory involving causation is correct; it can only prove that there is a correlation between two or more variables, and for any correlation there are many possible causal relationships. Regarding causal theories the best that statistical testing can do is to disprove them (because the predicted correlation between the variables is lacking), or show that the correlations are consistent with the theory (and with many other possible causal theories). This is an important limitation on statistical testing, because most economic theories involve elements of causation.

Furthermore, statistical testing can never assure that all relevant variables have been included in the analysis (this involves, among other things, whether all, or even the most, relevant effects of an action have been predicted by the model). Statistical testing cannot assure this because this involves epistemological decisions (such as what sources

²⁹To give a very simple example, under conditions of constant expenditure on inputs, a sales-maximizing and a profit-maximizing firm would purchase the same inputs, produce the same level of outputs, and sell their output for the same price. Thus a model based on either assumption would predict well for a profit-maximizing firm in a very short-run period when the cost of inputs was fixed for the firm, but only the one based on the more accurate assumption would predict well in the longer run.

³⁰For example, a model based on the assumptions of perfect competition would predict that all firms selling a particular product in a market would charge the same price for it. If applied to a cartel which practiced uniform pricing it would predict this result "well", but would give a very misleading picture of what was occurring in that market. In such cases testing the assumptions (as well as developing other predictions from the model and testing them) can be helpful in understanding the situation more clearly.

of data should be used) and ethical decisions (such as what is most important economically in a society, "efficiency" or "equity") which can never be answered merely by a statistical test. Thus statistical testing alone cannot determine which of a number of different models of the same situation, which abstract somewhat different data about it and analyze at least somewhat different aspects of it, is the best model of that situation (even if there is agreement on the general use to which the model is to be put, e.g., determining the size of a tax cut).

In addition to statistical testing of models, it is important to test them by comparing their descriptions with our own and others' experiences, even when the descriptions and experiences cannot be expressed statistically. Models should also be tested for logical consistency. And those who do not hold to a strict empiricism, admitting that their models are based on things in addition to experience, should test their models against the other sources of their knowledge. For Christians this means that they should examine their models to see if they comport well with the teachings of Scripture (Wolterstorff, 1976).

It should be clear by now that it is impossible for an economic model (or theory) to be completely objective in the sense of being free from the influence of faith or values, based purely on empirical observations. But it may be useful to discuss this further briefly, if only because so many economists today either consider positive economics, and sometimes even part of normative economics, to be objective, or at least believe that objectivity is theoretically possible and is desirable in economic theory. In both positive and normative economics the initial steps in abstraction and model building are not, and cannot be, objective. The sources of data considered for inclusion in a model will depend on one's epistemological beliefs, which vary from person to person. For example some hold that only empirical data from one's own sensory experiences or reliably reported data from the sensory experience of others may be used (empiricists) while others hold these experiences to be an unreliable witness to true reality (e.g., Platonists); still others will accept both empirical data and some divine revelation (the Bible, The Qur'an, etc.). There is no way to prove any of these positions right or wrong. Ultimately they are held as a matter of faith. But which epistemology one believes will have a major influence on the data contained in his or her economic models and thus on the models themselves.

In addition to this, since not all aspects of a situation can be described, the ones selected for treatment in one's models will be a reflection, in part, of one's (operative) beliefs about what is important about the situation. In economics they will be influenced by one's views on humankind, and on what is important to individuals and society. For example, those who believe that humans are autonomous individuals, each one responsible only to him- or herself, and all of whose desires are equally valid, would be much less likely to include in their economic theories an investigation of what peoples' desires are and how they are influenced by the workings of the economy and society in general than

would those who believe that humans are responsible to God, their Creator, and that some of their desires are good and some are evil. And those who believe that the chief end of economic life is to fulfill the desires of people for goods and services will tend to stress "efficiency" (in the neoclassical sense) and level of GNP in their models, whereas those who believe that equity (in some sense), or more generally proper relationships between people, or proper relationships between people and nature, are more important will tend to stress these in their economic theories.

These choices of acceptable sources of data and these choices of which questions to investigate are crucial to the development of an economic theory. Different choices at these stages can result in vastly different types of economic models. And there is no form of objective or value-free testing that can eliminate these differences, or prove that one is a better description of reality than another. (As has been discussed above, statistical testing cannot do this.)

In addition to these "non-objective" influences on both positive and normative models, normative models are directly based on ethical judgments concerning standards for proper behavior and/or goals for the economy (and perhaps on other things). Thus it is clear that normative economic models can never be objective or value-free.³¹

2. Regarding the relationship of Christian faith and the methodology of economics more specifically, all Christians will not agree on all matters of economic theory and policy, because sin still clouds our understanding of God's revelations to us. Furthermore, Christians and non-Christians will not always disagree on all matters of economic theory and policy, since both are using God's general revelation in creation as part of the basis for their theorizing (and this general revelation is not inconsistent with his special revelation in Scripture), and just as God "makes his sun to rise on the evil and on the good, and sends rain on the just and on the unjust" (Matt. 5:45), so he gives insights to both Christians and non-Christians to help them to understand some aspects of this revelation.

In spite of the possibilities for agreement with non-Christians, I know of no general system of economic theory existing today that Christians should be satisfied with. But the question of what strategy to use in developing a body of economic theories more suitable for use by Christians is one about which Christian economists are apt to disagree. One set of possibilities involves using an existing body of theory (such as the neoclassical or neo-Marxist) as a starting point and modifying it, for example by changing certain presuppositions and investigating additional questions where the presuppositions or limitations on the scope of the

³¹ For a good discussion of the influence of beliefs and values on the development of economic theory and practice in the last two centuries in the West, see Bob Goudzwaard's recent book Capitalism and Progress.

analysis do not comport well with Christian beliefs. Another possible strategy for a Christian economist is to attempt to build a body of economic theories from a Christian perspective from the ground up, using basic assumptions that comport well with his or her Christian beliefs, and drawing on existing theories and existing empirical investigations where they are useful in this. I am not sure which of these is the best strategy. Most of my work has used basically neo-classical models, with an attempt to modify them to comport better with my Christian beliefs. In recent years I have become increasingly dissatisfied with this approach, and I now think that it may be more fruitful in the long run to begin work towards an economic theory from a Christian perspective at a more basic level.

In spite of the differences they are bound to have, I believe that all Christian economists should agree that their systems of economic theory should be admittedly non-objective; i.e., influenced by their faith and values. In particular both their positive and their normative theories should use insights from Biblical revelation as well as general revelation. Furthermore I believe that the Biblical principles discussed in section I of this paper have the following important general implications which must be taken into account in an economic theory from a Christian perspective:

- a. One cannot totally separate the economic aspect of reality from all others (e.g., the religious or social aspects) and still have an adequate economic science (because, to continue the examples, one's religious and social obligations have important economic aspects, and one's economic behavior affects greatly one's relationship with God and neighbor).
- b. All people have a responsibility to God as their Creator, and Christians have a special responsibility to Christ as their Redeemer, for all of their actions, including their economic actions.
- c. People are not owners of resources; rather they are stewards of resources that God has entrusted to them, and they (as individuals, families, and larger groups such as nations) should use them as God has directed, to produce justice. This means, among other things, that the use of resources is never a purely personal action, but always involves relations with others.
- d. The knowledge and wills of all people have been distorted by sin, and thus their actions, including economic actions, are distorted.
- e. True welfare will be received only through placing one's trust in God, accepting His gift of salvation, and attempting to live one's life, including one's economic life, in accordance with God's will for it.

B. Normative Economics.

This discussion of normative economics begins with a critique of neo-classical normative economics, and concludes with an indication of the directions I believe a normative economics from a Christian perspective should take. I choose to criticize neoclassical normative economics (and later neoclassical positive economics) because the neoclassical theory is by far the most commonly held body of economic theory in the United States today. (I think that most Christian economists, as well as most non-Christian economists accept it, and use it in most of their work.) The choice of neoclassical economics for a critique in no way implies that I think that other systems of economic theory (e.g. neo-Marxist) need no critique from a Christian perspective, but I do not have time to cover them here.

I use the term "neoclassical normative economics" to signify the avowedly prescriptive branch of modern economic theory as practiced by the main stream of economists in the West (particularly the English-speaking economists). I am using the term "neoclassical" in a broad sense, including in it, for example, both Keynesians and Monetarists, but excluding such critics of the basic presuppositions of the neoclassical school as Marxists. I include in "neoclassical normative economics" not only the highly theoretical and abstract welfare economics, but also the applications of it to actual situations, giving advice on particular economic decisions (whether public or private) or evaluations of various economic institutions and actions. A key common element in this broad range of welfare economics is the acceptance of the standard of "pareto optimality" (often called "economic efficiency") as a major, if not the only, standard for evaluating various situations and actions. A Pareto optimum or "economically efficient" situation is "a position from which it is not possible to make anyone better off, without making at least one person worse off" (Mishan, 1969, p. 22). This is not a unique position for any one economy; rather there are many positions, differing in their distributions of welfare. This standard for an "optimum" is generally extended to changes between "non-optimal" positions by saying that a position A is better than another position B if at least one person is better off in A than in B, and no one is worse off. What I am calling neoclassical normative economics thus includes the highly abstract Hicks/Kaldor/Scitovsky "New Welfare Economics" and Bergson/Samuelson "Social Welfare Function" approach (insofar as the social welfare function is assumed to be a positive function of each individual's utility, which is a very common assumption), as well as most of the applied work in areas such as cost/benefit analysis, "optimal" taxes, tariffs, and regulated-utility prices, "efficient" treatment of external effects (such as pollution), and evaluations of various types of market structure (e.g., competitive or monopolistic) by economists. This is a very broad area, but the fact that these analyses have certain key common features (such as the acceptance of the Pareto criterion) makes a general critique possible; of course, within this wide spectrum of work some studies show more awareness of the limitations of the analysis than do others (in particular the highly abstract and theoretical writings contain references to the

limitations of the analysis that often seem to be forgotten in the applied work).³²

1. There are a number of major faults in neoclassical normative economics from a Christian point of view (many are problems from other points of view as well). In the first place, it was developed originally in an attempt to obtain an "objective", "value-free", or "scientific" normative economics. As Samuelson has said "it is not uncommon for expositors of the 'new' set of doctrines to imagine that their results have significance even if one is unwilling to make any ethical assumptions" (Samuelson, 1947, p. 247). Although Samuelson and others have pointed out the impossibility of having a "value-free" normative economics, and indeed have made explicit some of the ethical judgments implicit in the neoclassical welfare economics (see, e.g., Thurrow, 1975, pp. 24-25; Mishan, 1969, pp. 13-14), many economists continue to treat "efficiency" as an objective goal for the economy, or at the very least do not make explicit in their writings (including textbooks, journals, and popular writings) the ethical presuppositions on which their advice is based.³³ This is an outgrowth of the continuing desire of many economists to have a purely "objective" economics, devoid of any ethical or value judgments, and at the same time to be able to give "scientific" or "professional" advice concerning economic actions. Of course since normative statements are attempts to tell people how they ought to behave, they must by their very nature be based on some ethical principles; thus any statement which purports to be an ethically-neutral normative statement is obviously false, and normative arguments devoid of any support for their underlying ethical principles are incomplete, at best.

Some economists attempt to get around this problem by stating that although economists *qua* economists may not allow their own values to influence their work, they may use ethical judgments that are "commonly accepted" or use the ethical values of the person or persons for whom they are performing

³²For critical surveys of neoclassical welfare economics, see Mishan, 1969, especially chapter 1; Graaff, 1957; Samuelson, 1947, Chapter VIII; and Baumol, 1965, Introduction to the Second Edition. Arrow and Scitovsky, 1969, contains many basic articles, especially in applied welfare economics.

³³Two especially egregious (but at least explicit) examples from recent economic journals are Harberger's argument that economists should be able to reach a "professional" consensus concerning the sum of costs and benefits of a given action and should limit their "professional" evaluation to that, disregarding distributional and other aspects of the action (which may be important, but concerning which the economist is not able to make a "professional" pronouncement) (Harberger, 1971), and Harsanyi's argument that "Bayesian rationality postulates are absolutely inescapable criteria of rationality for policy decisions; and . . . that these Bayesian rationality postulates, together with a hardly controversial Pareto Optimality requirement, entail utilitarian ethics as a matter of mathematical necessity." (Harsanyi, 1978, p. 223.) Examples of normative statements based (correctly and incorrectly) on the "economic efficiency" criterion without any ethical justification of this standard are frequently found in textbooks and journals.

the analysis. But these are themselves ethical judgments, and false ones from a Christian point of view. An economist is morally irresponsible when recommending a certain act if that act is contrary to correct ethical principles, even if it is in line with either "commonly-accepted" (but false) ethical principles or the principles of the particular person to whom he is giving advice.³⁴ In fact, the ethical principles underlying the goal of Pareto optimality are not consistent with the Christian faith, and it is very doubtful that they are as commonly accepted as economists tend to assume.

The goal of Pareto optimality is based on, among other things, two individualistic ethical assumptions that are not acceptable from a Christian point of view. To see this it will be helpful to restate the definition of Pareto optimality as follows: A Pareto optimal (or economically efficient) situation is one in which it is not possible to make anyone better off according to his own reckoning, without making at least one person worse off according to that person's own reckoning. The addition of the underlined phrases makes it clear that each person is to be the judge of his own welfare; although such phrases are not commonly included in the definition, I know of no economist using the concept of Pareto optimality that does not in practice make that assumption. This is the first invalid individualistic ethical assumption: that each person is always the proper judge of what is best for himself; in the development and application of neoclassical welfare economics it is also assumed that each person in fact does choose what is best for himself, given the situation he is in (his wealth, income, knowledge, the prices he faces, etc.). As Christians we know that this is not true. All persons are sinful, and our sin distorts both our evaluations of what is best for ourselves, and our actions. Sin contributes to the limitation of our knowledge of the

³⁴For example, even if the Social Darwinist position that the "fittest" should have the best (or only) chance of survival and reproduction in a society were commonly accepted, an economist would not be morally responsible in recommending policies to achieve such an end. Or even if a person states that his goal in life is to amass the greatest possible wealth for himself, an economist would not be morally responsible in recommending that he take the actions that would achieve that end, just as it would not be morally responsible for a physician to recommend to a patient who wanted to commit murder or suicide a course of action that would achieve such an end (see Nath, 1964, Section II, a). This does not mean that an economist should not investigate the implications of various ethical standards (even some false ones) for economic institutions and actions, but I believe that in general an economist should concentrate on investigating the implications of those ethical standards that he or she believes to be true. It would not be morally responsible to be just a hired analyst ("hired gun"), helping any client to achieve whatever ethical ends that client has.

true effects of actions on our lives and the lives of others (e.g., of the true effects of consuming or producing a particular good), and in this way leads to actions that are not truly best for ourselves (i.e., do not contribute to our true welfare).³⁵ Sin also causes us to desire things contrary to God's law, and to act on these desires, thus distorting both our evaluations of what is best for ourselves and leading to actions which are not best for ourselves. For example, many willingly use their income and wealth in seeking welfare from false gods (material goods, economic security, power, prestige, etc.), rather than trusting in God for their welfare and seeking to act in accordance with his will. And even when we know what we should do and want to do it, sin often causes us to do something else; St. Paul's statement "I do not the good I want, but the evil that I do not want is what I do" (Romans 7:19) is true for all of us, in the economic sphere as well as in other spheres of life. For example, we may have concern for the poor, and desire to adjust our behavior to help those with less than ourselves, but continue to spend too much on our own consumption or that of our families and friends, instead of giving to those in need. Or we may know that it is best for us to lose weight, stop smoking, or stop drinking, and we may wish to do this, but nonetheless continue to overeat, smoke, or drink. Because of the sinfulness of man, therefore, Christians cannot accept the ethical assumption that each person is the proper judge of what is best for himself and that he will act in such a way as to maximize his welfare given the options open to him.³⁶

A second basic individualistic assumption implicit in the Pareto optimality criterion is that individuals' valuations of how an action affects them fully determine the social value of that action. For example, if an individual changes his consumption in such a way that he believes he has a higher level of welfare, and no one else's self-perceived welfare is diminished by this action, the Pareto criterion would say that society's welfare has increased. But this is not acceptable from a Christian point of view, for if individuals' perceptions of their welfare are distorted by sin,

³⁵Some economic theories, including some in neoclassical welfare economics, do consider problems caused by lack of full knowledge about goods, but the role of sin in this is not considered, and very often the problems of limited knowledge are ignored.

³⁶The problems of overeating, etc., are widely-enough recognized that one cannot easily claim that it is commonly accepted that individuals always act to maximize their welfare given the options open to them, even if it would be commonly (though falsely) accepted in a certain society that each individual is the proper judge of what is best for himself (and many, if not most, people would make at least some exceptions to even this principle).

these perceptions should not be taken as determining true social welfare.³⁷ And indeed, despite the objections of some economists, this assumption is not completely accepted for purposes of social policy even in highly individualistic societies such as the United States, where we find laws against such things as the use of certain drugs and pornography, even though it is not clear that the use of these things by individuals in private has harmful consequences for others (beyond the misuse of scarce resources), and laws requiring seat-belts and the use of helmets by motorcyclists, motivated by concerns other than the costs to others in society of the injuries or deaths that would occur if these devices were not used.³⁸

In addition to these unacceptable individualistic assumptions, neoclassical normative economics as it is normally developed makes a false materialistic assumption; this is the assumption that a person's welfare necessarily increases if he can fulfill to a greater degree his insatiable desires for goods, by means of a higher level of consumption, other things being equal. This is far from the spirit of the Bible with regard to material goods--that man are stewards of resources which God has entrusted to them and that they should use these resources according to God's law, which involves as much concern for the needs of others as for one's own needs. While it may be true that due to sin most people perceive themselves to be better off whenever they have more goods (other things being equal, including the amount that other people have), it is clear from the Bible that one can have too many goods for one's own welfare as well as too few, and that people should attempt to restrain their desires, rather than continually attempt to fulfill them with ever-higher levels of consumption.

Neoclassical normative economics also invalidly treats economic welfare as a completely separable part of overall welfare, and assumes that actions in the economic sphere or changes in "economic welfare" will not affect any other aspects of welfare (Graafland, 1957; Nath, 1964, Section II, b). But man is not a mechanism of the sort that part can be changed without affecting the others, nor is society mechanistic in that sense (see the discussion of a mechanistic vs. an organic view of the economy in Kuenne, 1968, pp. 5-11). For example, as Proverbs 30:8-9 indicates, our

³⁷While there are clearly conflicts between what many individuals perceive as best for themselves and what is best for society as a whole (as when one person desires to have an inordinate proportion of wealth, income, or power for himself), I believe there is no conflict between an individual's true welfare and that of the society of which he is a part; both are increased to the extent that he trusts in God for his salvation and lives in closer harmony to God's will for his life.

³⁸It is true, however, that in an individualistic society like the United States that individuals' judgments about the effects of various actions on their own welfare are widely accepted as a general rule (with important exceptions) and as, in some sense, determining the social value of those actions, even though these ethical assumptions are not accepted as immutable principles. The difference is an important one, however.

level and type of consumption of others, and by advertising and other promotion of goods (Baumol, 1965, pp. 128-130; Galbraith, 1958, Chapter XI; Graaf, 1957, pp. 43-44). Perhaps as Veblen stated, "Invention is the mother of necessity" (quoted by Graaf, *ibid.*), more often than the reverse. As the level of production, advertising, and consumption of goods in a person's society rises, he may well perceive himself to be worse off than he was before, if his own consumption remains constant (Galbraith, 1958, especially chapters 10 and 11; Rainwater, 1974). In such cases even perfectly competitive markets will fail to give Pareto optimality, and it is possible that an increase in production and consumption by all persons will leave no one better off in his own perception, or even leave everyone worse off, a result that is certainly at odds with the normal conclusions of neoclassical welfare economics (Graaf, 1957, p. 51, refers to this as the case of "excessive" external effects of consumption). Hirsch gives cogent reasons why such external effects become more and more important for both physical and psychological reasons as production and consumption rise in a society (Hirsch, 1976). Easterlin examined data from thirty surveys of happiness (at various times in the United States and across countries with different levels of income per capita) and found that although in all societies at a given time people with higher incomes reported higher average levels of happiness than did lower-income people, the average happiness level of a society as a whole was not correlated with its average level of income or with changes in that average level. He explains this apparent paradox with the hypothesis that an individual's perceived happiness is dependent on the relation between his perceived needs and his income (among other things), and that in general an individual's perceived needs (desires) rise with the average standard of living in his society (Easterlin, 1974). It appears then that negative external effects of consumption are general and significant, and thus even if one accepts the ethical judgment that social welfare is determined by individuals' perceptions of their own welfare, the overall level of production and consumption becomes less important, and the distribution of that production becomes more important; but neoclassical normative economists neglect questions of distributions because they wish to avoid the obviously ethical principles involved in distribution.

The absence of any criteria concerning the social welfare implications of changes in the distribution of individual welfare makes it impossible in almost every instance for neoclassical normative economics to indicate whether a particular economic action improves social welfare or not on its own grounds, because almost every action will make at least one person worse off (in his own perception) even if it makes many people better off (in their perceptions), and in such a case the new situation is not clearly better or worse than the old by the Pareto criterion. If one had a fully-specified social welfare function and knew all of the effects of the action, one could evaluate it on that basis, but neoclassical normative economists are not generally willing to make the ethical judgments necessary to get such a fully-specified social welfare function, especially since it has become clear that it cannot be obtained

material situation may affect the degree of trust we have in God. Economic systems and actions may influence our attitudes towards our fellowmen as well. Although some economists have argued that one of the advantages of a competitive economic system is that it economizes on a very scarce resource, men's benevolence, it is likely that men do not have a fixed quantity of benevolence; rather, if it is not practiced, feelings of benevolence atrophy, but if practiced they grow in many instances. If this is true, the constant practice and social justification of individualistic economic activity may well lead to less and less benevolence and less welfare to society. Furthermore, in order to be constantly reaching the economic goal of "efficiency", many resources (including human labor), would have to be constantly changing from one use to another as demands in the economy changed, and their prices would have to be very flexible, rising and falling constantly in line with shifting demands and supplies; but this would interfere with the achievement of other social goals, such as the stability and financial security of the family (Olson, 1973). Because of such effects of economic institutions and actions on "non-economic" aspects of welfare, a welfare economics which neglects them is skating on very thin ice when it makes recommendations, even if it carefully includes a ceteris paribus phrase in its theoretical formulation.

The individualistic and materialistic ethical assumptions underlying neoclassical normative economics, which cause it to evaluate an economy on the basis of how well it satisfies individuals' preferences and desires for goods and which prevent it from questioning and evaluating these preferences and desires, also create a serious technical problem for the analysis of economic systems and economic actions within the systems can influence the desires and preferences of people (commonly called their "tastes" by economists). For if an economic action (e.g., a change in market structure, a change in price, or even a change in the economic system itself) changes the standard by which the action was to be evaluated (i.e., the degree of fulfillment of the given desires of individuals), there is no longer a consistent way of judging which situation is better. This could only be remedied if the economist had a welfare (utility) measure for each individual that took into account changes in tastes as well as changes in consumption, wealth, etc. (i.e., a cardinal, interpersonal measure of utility), but few, if any, economists would be so bold as to claim that such a measure is feasible. And even if such a measure could be obtained, the fact that economic actions caused changes in tastes would make the conditions required for Pareto optimality much different and more complex than the standard ones, and would thus render void most, if not all, of the policy conclusions presently derived from neoclassical welfare economics. (There are also major dynamic problems if changes in tastes are not always reversible.) (See Rothenberg, 1962, and Wellisz, 1962.)

In fact it seems quite clear that tastes are influenced by economic actions. As Scitovsky has stated, "Even the most ardent believers in consumer sovereignty must realize that most tastes are acquired" (Scitovsky, 1962, p. 265). Desires for consumption are created by the

One additional technical problem with neoclassical normative economics should be mentioned; that is the fact that in much of theoretical and applied neoclassical normative economics it is assumed that the goal of each firm is to maximize its profits. However it is not at all clear that this is indeed the goal of all firms, especially large oligopolistic firms; if these firms do have goals other than profit maximization, conclusions based on this assumption may be seriously in error (see, e.g., Galbraith, 1967 and 1973).

Many economists forget about these problems when doing their research, writing, and teaching, if indeed they have ever realized that these problems exist. This has led to many improperly dogmatic statements about what will improve or maximize welfare and to misguided policy recommendations.

In concluding this section on the faults of neoclassical normative economics from a Christian perspective, a basic flaw that has been implicit in much of the above should be made explicit. Neoclassical normative economics does not attempt to develop the implications of Biblical principles (particularly ethical standards) for the economic aspects of the determinants of social welfare, and thus it does not consider the necessary or sufficient conditions for improving social welfare from a Christian point of view. Hence it cannot give guidance regarding a proper Christian evaluation of economic institutions or actions. Rather, as we have seen, in an attempt to be "value-free", it has grounded itself on false ethical principles and thus will give erroneous evaluations and recommendations.

2. Is neoclassical normative economics of any use at all then to Christians? In spite of the above faults there are some limited uses that can be made of it. If used with due recognition of its limitations and complexity, it can be used to attack the idea which is still commonly-held (in the United States, at least) that the capitalistic system, if left to itself (or left almost to itself), will maximize social welfare in individualistic, materialistic terms. It is useful in this regard because this idea is often based (at least implicitly) on an incorrect application of neoclassical welfare economics, one which neglects the limitations discussed above and the complexities of the social and economic system. Many are still slaves to the notions of the Invisible Hand or its more technical counterpart--the idea of the efficiency of perfect competition.

In addition, if individual preferences are to be accorded an important role in an economic system,⁴¹ and neoclassical normative economics is used with due recognition of its limitations and complexities, then it will probably

⁴¹ I believe that individual preferences should be accorded an important role in many aspects of an economic system (in spite of the above arguments against making them absolute), because of the nature of man as a decision-making creature, responsible to God, who should thus have opportunity to make responsible decisions even though he will often respond incorrectly, and because the alternatives to individual decisions--collective decisions or dictatorial decisions--are also subject to sin and should not be absolutized.

from some combination of individual preferences (see Arrow, 1951; Thurow, 1975, pp. 33-43). Although there have been attempts to get around this problem, for example by suggesting tests of the hypothetical possibility of compensation of those made worse off by the action, the possibility of hypothetical (as opposed to actual) compensation, no matter how rigorous the test, cannot eliminate the ethical significance of redistributions of welfare, and in any case the "perfectly efficient" compensation or redistribution devices necessary if the compensation is to be paid without upsetting the efficiency conditions are just not available. (See Mishan, 1969, pp. 37-63; and Graaff, 1957, pp. 84-92, for a discussion of the compensation controversies.) Thus the refusal to make ethical judgments concerning distributions of welfare (or income or wealth) makes neoclassical normative economics impotent when it comes to making statements about even the "economic" desirability of particular economic actions. (Of course, economists do make statements about the economic desirability of actions, based implicitly or explicitly on the Pareto criterion, but such statements are invalid when they ignore the distributional implications of the actions, as they usually do.)

An additional problem with regard to evaluations of practical economic actions is the fact that meeting one or more previously unmet necessary conditions for a Pareto optimum is not a sufficient condition for an improvement in social welfare (by the Pareto criterion) if one or more of the conditions necessary for the Pareto optimum remain unmet. As long as one or more of the necessary conditions cannot be met, the "second best" solution may involve the violation of most or even all of the necessary conditions for a "first best" Pareto optimum (Lancaster and Lipsey, 1956). This is a serious problem, because most of the work in neoclassical normative economics has dealt with the necessary conditions for an optimum, rather than the sufficient conditions that an action is an improvement in welfare, and it is clear that the empirical data needed to calculate a set of "second best" conditions for any practical situation are enormous, and generally unattainable. Unfortunately these problems are all too often neglected in applied normative economics.

Furthermore, neoclassical normative economics is basically a static theory and thus neglects many dynamic effects of economic institutions and actions, such as effects on the rate and types of technological innovation and depletion of scarce natural resources.^{39, 40} But these dynamic effects are very important determinants of social welfare, now and in the future, and should not be neglected.

³⁹ There have been attempts to extend neoclassical normative economics to encompass future situations as well as the present, but these are subject to some time horizon, and there is no way to determine either that horizon or what should be left for those in later generations without making ethical judgments beyond those which neoclassical normative economists are usually willing to make; the choice of a time horizon and the specification of the terminal conditions have a strong influence on the evaluation of competing economic options, however (Graaff, 1957, Chapter VI). And many of the important dynamic effects are left out of these models.

⁴⁰ Of course the effects of economic actions on tastes and on "non-economic" aspects of welfare (discussed above) are also often dynamic rather than static.

result in recommendations regarding government policies that are somewhat better than its most prominent alternatives in government policy making today (at least in the United States): *laissez faire* or policy making in response to special interest groups (sometimes these two are the same; an interest group that thinks that it can achieve its goals through the market will often argue for *laissez faire* in a particular area, even if it is pressing for government involvement in another).

Of course there are great dangers in using neoclassical normative economics in these ways, because if its limitations are not kept clearly in mind and made explicit often, it can, and frequently does, result in recommendations regarding economic institutions and actions which are harmful to true social welfare. In fact neoclassical normative economics and the underlying neoclassical positive economics have often served to maintain the power and position of various powerful interest groups by "legitimizing" their activities in the minds of many people (Galbraith, 1973, especially Chapter I).

3. In contrast to this, what would a normative economics from a Christian perspective look like? I know of no such well-developed body of theory today, but several important things can be said about it. First of all, it must use the Biblical principles discussed in Section I of this paper: in short it must treat humans as creatures, responsible to their Creator for the proper stewardship of his resources; it must have justice (as this concept is Biblically developed) as its central concern; it must take into account the fact that sin will affect both individual and collective decisions and actions, so that neither an individualistic nor a collectivistic system will ensure a welfare maximum; it must realize that having more material goods is not always better than having fewer of them; it must take into account that our economic life influences and is influenced by the rest of our life (including, e.g., the spiritual, social, and biological aspects) and that economic institutions and actions should not impair God-ordained institutions and activities in these other spheres (such as the family and church); and last but not least, it must realize that true welfare comes from accepting God's gift of salvation through faith in Christ Jesus, and attempting to live in accordance with God's law for one's life.

A welfare economics built on such principles would evaluate economic institutions and actions primarily on the basis of how well they promote justice for all. Thus it would ask whether they helped or hindered the provision of opportunities for all to produce for their own needs in a situation giving them opportunities for responsible stewardship of their labor and other resources. And it would ask if these institutions and actions provided access to necessities for those who temporarily cannot provide for themselves, and if they helped or hindered the possibilities for these things in future generations. In addition it should take into

⁴²For example, the large oil companies in the United States want an end to government price controls, but also press for special tax subsidies.

account effects of the economic institutions and actions on other areas of life, where these effects are significant. Such a normative economics would not consider growth in GNP or neoclassical "efficiency" as goals in their own right, but would consider them desirable only to the extent that they contributed to the goals outlined above, and undesirable if they detracted from them or could be accomplished only at the expense of these goals.

A normative economics from a Christian point of view would evaluate government policies with such standards. It would not limit the use of these standards to the evaluation of "welfare-type" programs, but would use them for all types of governmental programs. For example, tax structures would be evaluated mainly on such equity bases, as would governmental expenditures of all types. Instead of the emphasis on rate of return that is present in neoclassical cost/benefit analysis it would emphasize the effects of the projects on the distribution of income, wealth, and opportunity. Policies regarding market structure would also be evaluated primarily on a similar basis, and on the degree to which they encouraged households and enterprises to be good stewards of their resources, rather than on efficiency grounds. Likewise macroeconomic policies would be judged on this basis: regarding policies dealing with inflation, less emphasis would be placed on their effect on the overall level of price change, and more on how well they alleviate the effects of the inflation on the poor; regarding policies dealing with the overall level of demand in the economy, less emphasis would be placed on GNP and level of productivity, and more on whether they helped provide meaningful jobs to all households.

A normative economics from a Christian point of view would not be limited to evaluating governmental policies, however. It would also evaluate actions of consumers and enterprises in the economy. Regarding consumers, the theory would recognize that because of sin, neither the size nor the distribution of a household's consumption expenditures will always be such as to lead to the highest household or social welfare. Sin clouds consumers' knowledge of the true effects of goods, and distorts the wills of many, so that they are enslaved to an idolatry of material goods which is ultimately unsatisfying. And sin causes people to consume wrongly even when they know what is right and wish to do it (see the discussion of Romans 7:19-20 above). Such a normative economics would recognize God's call to us to be good stewards of his resources, in our consumption behavior as well as in other areas. Thus it would evaluate a household's consumption not on the basis of how well it maximized its self-perceived utility function (whatever that may be), but it would evaluate it on the basis of how well it conformed to the standards of stewardship God has set down in his Word (involving avoidance of luxury consumption when that deprives the poor, directly or indirectly, of what they need; meeting their own true needs, and the needs of others; etc.). Thus it will have to make judgments regarding the importance of various kinds of goods, and distinctions between needs and non-necessary desires. This will not be easy, nor do I believe it will be possible to set down a precise standard that will be applicable for every household, specifying either the total amount or the types of consumption that are proper for them.

The amounts and types of consumption will vary from household to household, depending on things such as their size, health, location, and particular calling. And the law of love for the Christian life is too complex to be reduced to some simple formula, even in so limited an area as consumption behavior. But I do believe that if Christian economists develop a normative consumption theory along these lines, that it will be useful to fellow Christians who are seeking guidance in evaluating their own consumption behavior. At its base would be the confession that a person will truly find happiness (maximize his true utility, if one wishes to use that terminology) only by accepting God's gift of salvation and attempting to be a good steward, accepting the freedom this gives from enslavement to a materialistic idolatry.

Regarding firms (or enterprises, which in essence are a group of people together productively using resources with which they have been entrusted), a normative theory from a Christian perspective would evaluate their behavior in terms of how faithful their stewardship of their resources was. Neither profit nor sales maximization are legitimate as the sole (or even the basic) goal of an enterprise. Rather the primary goal of the enterprise should be to use the resources to provide justice; thus the products and production methods should be aimed at meeting the real needs of people, now and in the future, rather than maximizing the profits or incomes of the producers. Among these needs are food, clothing, shelter, knowledge and skills, transportation, and employment opportunities in a framework that gives workers a share in the decision-making of the enterprise (so they can exercise stewardship within the enterprise) (Goussard, 1975, pp. 42-48). Enterprises should also seek to avoid damage to the environment and avoid too-rapid use of the world's limited resources, because these are important for meeting needs of people in the years to come. Since the requirements of economic justice are complex, there is no one single variable, the maximization of which should be the goal of the enterprise (and I do not believe the Christian economist can provide a mathematical "enterprise welfare function" that will enable the various variables to be collapsed into one). Very often there will be trade-offs that must be made between various goals (e.g., between hiring more disadvantaged workers and providing a necessary good at low cost, or between providing more of one necessity or more of another, or between hiring more disadvantaged workers now and the ability to hire more in the future). Even though the decisions in these cases cannot be made by simply consulting some pre-determined "welfare function", some forms of marginal analysis may be helpful in making the decisions.

On the other hand, there are some situations in which the evaluation of the options is clearer. For example, it would be better, *ceteris paribus*, to use resources to produce goods which meet basic needs of people than to produce luxury goods or goods, the demand for which had to be stimulated by desire-creating advertising. And it would be better, *ceteris paribus*, to create jobs for those who would have difficulty getting other jobs than to create jobs for those who had many alternative economic opportunities.

Regarding profit-maximization, if there were an equitable distribution of wealth, opportunity, and income in the world, if all markets were perfectly competitive and there were no external costs or benefits, and if sin did not distort man's knowledge and desires, then profit-maximizing behavior might be proper stewardship, but since they are all lacking we cannot assume that profit-maximization is the proper goal. Profit and sales are not unimportant to the question of proper stewardship of resources in production, however. A firm will have to meet some minimum standard of profitability to continue in the long-run (depending on the circumstances this may be a positive, zero, or perhaps in the short-run at times, a certain negative level of profits); thus there will generally be a profit constraint on the activities of the firm. And if the firm is producing a desirable good or service, it should generally produce as much as possible, given the specific inputs it uses; thus cost-minimization or output-maximization analyses are relevant to it. But it should not always minimize monetary costs if, for example, that would mean increased pollution or not hiring any "hard-core" unemployed.

The development and application of such a normative economics from a Christian perspective will require extensive theoretical and empirical work. It will be able to make use of some of the empirical and theoretical work of neoclassical and other economists, but it, and its accompanying positive economics, will have to take into account many things ignored by neoclassical welfare economics (as discussed above), including the effects of various economic institutions and actions on the distribution of income, wealth, and power, and on tastes and things outside of the economic sphere over time. It will also have to be concerned about ways to improve welfare in a far-from-optimal system. It must recognize that both economic institutions and personal behavior within those institutions, and both changes of heart and technical changes in institutions are important for achieving welfare.

I doubt that the development of such a normative economics will ever result in a mathematically-specified social welfare function or even mathematically-specified welfare functions generally applicable to smaller consumption or production units. As has been stated above, the life of love to which we are called is too complex for us to be able to reduce the trade-offs that must be made between desirable goals in this far-from-perfect world to a set of mathematical formulas that will hold in all instances. But I do believe that by the grace of God such a normative economics from a Christian viewpoint could become a useful instrument for the evaluation of economic institutions and actions by Christians who are seeking to establish the kingdom of God more fully in their lives and in their societies.

C. Positive Economics. Positive neoclassical economics suffers from many of the same faults that normative neoclassical economics suffers from. This is not surprising, since it is based on the same basic perspective and value judgments as the normative economics, even though it often purports to be objective or value-free. The attempt to be value-free keeps it from

using insights from the Bible in its development (e.g., insights into the nature of man, his sinfulness, the relation of economic activity to other areas of life). In general neoclassical positive models stress variables and results related to the neoclassical normative goal of "efficiency" (Pareto optimality), and there is a relative (and in some cases almost absolute) neglect of positive variables important to a normative economics from a Christian perspective, such as the distributions of income, wealth, and opportunity, and the effects of economic activity on other areas of life. Thus there is a need for Christians to develop a new (or at least highly modified) set of positive theories to aid in giving substance to their normative theories. Some examples of the limitations of neoclassical positive economics and suggestions for directions for change follow.

1. Neoclassical consumption demand theory assumes that consumer preferences are given (and that each consumer has one consistent set of preferences that he or she follows), and that consumers act in such a way as to maximize their utility given these preferences and the constraints they face (usually an income and a set of prices, sometimes extended to a set of resources and a set of prices). It then attempts to describe and predict how consumers will act in various situations (e.g., if a price changes). This may be all one wishes to describe if one views man as an autonomous being responsible to no one outside of him- or herself, but even then it will be misleading if tastes are influenced by outside forces or if people have various sets or levels of desires, not all consistent with each other, influencing their consumption behavior. But this is certainly not sufficient for a Christian economist who should want to investigate how desires and consumption are influenced by structures and actions in the economy and under what circumstances these influences cause tendencies toward consumption more or less in line with faithful stewardship. (As such effects can be described without evaluating them, such investigations can be part of a positive economic theory of consumption.) This would involve investigations of things such as the influence of the overall levels of consumption in a society and the types and levels of advertising on the desires and levels of consumption of households in the society. They will also want to look for evidence that constantly increasing consumption is ultimately an unsatisfying goal for life. This is likely to involve co-operation with psychologists and sociologists and greater use of techniques such as surveys than economists have tended to use in the past.

2. Neoclassical positive theories of the firm are oriented to profit-maximizing behavior and its implications for "efficiency" under various market structures. A positive theory of the firm from a Christian perspective should investigate to what extent various firms and various types of firms (e.g., firms of various sizes and in various types of competitive situations) follow various goals, especially those consistent with good stewardship of their resources; in this way it could help to determine whether some market structures or government policies encourage good stewardship, whereas others discourage it or make it more difficult. And when comparing market structures it would put more emphasis on how the structures affect the distributions of income, wealth, opportunity, and

economic power, and their effects on want creation, as opposed to the neoclassical emphasis on whether they have marginal cost pricing or not. It is likely that in such a theory more stress would be placed on the techniques of balancing various goals within an enterprise and less on the techniques of maximizing a single variable, such as profit.

3. Labor economics traditionally places more emphasis on questions of the distribution of opportunity for development of skills and for employment of various types, and thus on the distribution of income, than do many of the other branches of economics. A labor economist from a Christian perspective would certainly emphasize such questions but would also want to place more emphasis than is normally given to the structure of authority in the workplace. Since justice requires that all persons have an opportunity to exercise responsible stewardship of their labor (as well as other resources) and according to the Mosaic laws it was not just to force a person perpetually into the role of hired servant, taking the orders of another, (whether the force was a lack of alternative opportunities or something more direct), the Christian labor economist should want to investigate the extent to which such responsible stewardship is possible in various situations (e.g., hierarchical vs. co-operatively managed firms; large vs. small firms, firms where the executives are responsible to suppliers of capital, workers, or both, etc.).

4. In Public Finance more emphasis would be placed on the effects of taxation and expenditures on the distributions of income, wealth, and economic opportunity, and less on the "efficiency" of them than is true in neoclassical theory. A greater emphasis would also be placed on what Musgrave calls "merit wants" (which would not be provided if consumer sovereignty were strictly adhered to) than is normally the case (Musgrave, 1959).

5. In macroeconomics, again the emphasis should be on investigating the effects of changes in output or price level, and policies to affect them, on the justice of the system; there would be less direct concern with the levels of productivity, prices, or GNP themselves, or on the effects of various policies on the "efficiency" of the system in neoclassical terms. A recognition of the sinfulness of mankind may well prove helpful in an investigation of the difficulties of achieving full employment and price stability at the same time, and in suggesting policy options for dealing with situations in this area. A macroeconomics from a Christian perspective should also include a consideration of the effects of the situations and actions it is considering on the environment and the stock of the world's resources, something which is often lacking in neoclassical macroeconomics.

III. Economic Relations Between Rich and Poor Internationally.⁴³

A. The Basic Guiding Principle--Stewardship Directed Toward Justice.

When the principles discussed above are applied to economic relations between rich and poor internationally, it is clear that the basic guiding principle for actions of both individuals and groups of people (including nations and international organizations) is that they are stewards of God's resources, who should use them to show God's love to all persons by establishing justice in economic relations. As was developed above, minimum requirements for justice include: 1) providing all with access to the basic necessities for life in their societies at all time; 2) providing all families with opportunities to develop and use their God-given labor and resources in such a way that they can provide for their own needs (at least over a period of time); and 3) providing all families with the economic freedom necessary to enable them to exercise responsible stewardship of a share of the earth's resources, both in production and in consumption (at least over a period of time). This, of course, requires limitations on the concentrations of income, wealth, and economic power; and because justice requires that these be available in the future as well, it requires a loving care of the world which God has entrusted to us, including a limitation on the rates of pollution and exhaustion of resources. Although these requirements for justice refer to providing certain opportunities to families (and unrelated individuals), they also apply to communities and nations, for if a community or nation does not have access to the basic necessities for life for its members, or the opportunities to produce for its own needs with an opportunity for responsible stewardship of resources, these things will certainly not be available to all of the families within it. If this is the guiding principle, it is clear that the primary goal of economic policies and actions cannot be the maximization of economic growth worldwide or even the maximization of economic growth in the presently low-income nations. Increasing the level of GNP may be an important instrument; where this is so it should be pursued by means consistent with the principles of stewardship and justice, but it should never be raised to the level of a goal in its own right.

Even though there exist no direct statistical measures of the degree to which these standards for justice are met around the world, it is all too clear that we are very far from fulfilling them. They are not even being

⁴³This section includes substantial material from my paper entitled "Strategies for Improving the International Economic Order" contained in Justice in The International Economic Order, copyright by the Trustees of Calvin College, and some material from my paper entitled "The Socio-Economic Political Order and Our Lifestyles" contained in Living More Simply, edited by Ronald Sider, copyright by Inter-Varsity Christian Fellowship of the United States of America. All rights reserved.

met within the United States today;⁴⁴ but internationally the situation is far worse. The vastly unequal income distribution internationally, with much of the world's population subsisting (or failing to even subsist) on extremely low incomes is one evidence of this. According to the Overseas Development Council, in 1978 1.3 billion persons lived in "low-income" countries with 1976 per capita GNP's below \$300 (and an average of \$166), 1.3 billion in "lower middle-income" countries with per capita GNP's of \$300-\$699 (on average, \$429); 0.5 billion in "upper-middle-income" countries with per capita incomes of \$700-\$1,999 (on average \$1,215), and 1.1 billion in "high-income countries with per capita GNP's above \$2,000 (on average \$4,976; in the U.S. it was \$7,890) (McLaughlin, 1979, pp. 156-176).⁴⁵ Although the degree of justice cannot be determined simply by the degree of equality of the income distribution, and although GNP statistics are often not very accurate (especially for low-income countries), the fact that such a large proportion of the world's population lives in jeopardy, where the average income is so low as to put even subsistence in jeopardy, while a substantial number of persons live in what can only be called luxury, means that the situation certainly is not just. This is compounded by the fact that the income distributions within countries are far from equal, with many low-income countries showing particularly high levels of inequality (Chenery, 1974, pp. 3-37).

Even more direct evidence of the failure to meet the first and most basic standard for justice, the provision of access to the basic necessities of life, is provided by statistics on infant mortality and life expectancy in various nations. While some countries have infant mortality rates as low as 10 per 1000 live births (e.g., the Scandinavian countries) and most West European and North American countries are below the figure of 15 per 1000 live births of the United States, the average for the 45 nations in the lowest income category of the Overseas Development Council is 135 per 1000, with only Sri Lanka at 47 and the Solomon Islands at 52 below 100 per 1000 live births (McLaughlin, 1979, pp. 156-168; the figures are for 1975 or 1976 or the most recent year for which estimates are available). And life expectancy at birth ranges from an average above 70 years for the high-income countries to below 40 years for some of the low-income African countries (the highest figure for the lowest-income countries is 68 years for Sri Lanka, the average is 48 years) (ibid.; the figures are for 1975 or 1976 or the latest available year). Surely these figures indicate that all do not have adequate access to food, medical care, shelter and other necessities for life itself. To this could be added much more particular data, such as the fact that "in several areas in India, four out of every

⁴⁴For evidence of this see pp. 175-182 of my article in Sider, 1980.

⁴⁵I generally use the term "lower-income" countries in the paper to refer to both the low- and middle-income groups, although sometimes I distinguish between them. I try to avoid using the common term "developing countries" since all nations are developing in various ways, good and bad, and avoid the term "less developed countries" since the degree of development should not be judged exclusively, or even primarily, by the level of per capita GNP.

five preschool children are reported to suffer from dwarfism caused by malnutrition, a malnutrition that can also cause retardation and brain damage that will stay with them throughout their, often short, lives (Singh, 1977, p. 59). The 1977 World Food and Nutrition Study of the U.S. National Academy of Sciences concluded that most of the hunger and malnutrition associated with mass poverty could be eliminated by the year 2000 if the proper political will was exercised here and abroad (McLaughlin, 1979, p. 9). If this is true, much of it could have been eliminated by this time if the will had been present. That so much hunger and malnutrition still exists today is certainly an indictment of those in positions of economic and political power in both high and low-income countries in the last few decades.

The Overseas Development Council has developed a composite of three social indicators: infant mortality rates, life expectancy at age one, and literacy rates, which it calls the Physical Quality of Life Index (PQLI). Although the PQLI is not a measure of justice (to mention two problems, it does not measure either the distribution of employment opportunities or the opportunities for meaningful stewardship of resources), it is related to justice in that it does include some measures of access to necessities (for if life is maintained one must have had access to the necessities)⁴⁶ and a measure of one of the requirements for having a degree of influence over many social, economic, and political situations, that is, literacy. Their data show that on average the PQLI is significantly higher for higher-income nations than for lower-income nations. (It averages 40 for the lower-income nations, 67 for the lower-middle-income nations, 68 for the higher-middle-income nations, and 93 for the high-income nations.) But within each income level there are wide differences in the PQLI, and some relatively-low income nations have a PQLI far higher than nations with much higher incomes, showing that high levels of GDP do not necessarily result in high levels of access to necessities. For example, Sri Lanka with a per capita GDP of \$200 has a PQLI of 82, far above the average of either middle-income group of nations, and the Kerala State in India, with a per capita GDP of \$110 (below the \$150 for India as a whole) has a PQLI (69) well above that of India as a whole (41), and about equal to that of the two middle income groups of countries. And in the middle-income countries there are wide disparities in PQLI's between countries with roughly similar incomes; for example the Republic of Korea with a per capita GDP of \$670 and a PQLI of 82 and Guatemala with figures of \$630 and 54, or Romania with \$1,450 and 91 and South Africa with \$1,340 and 53 (ibid., pp. 129-168). While the statistical data in these areas is in many cases quite poor, such differences cannot be explained by limitations in the statistics alone. They clearly

⁴⁶But the measures are not completely accurate measures of distribution of access to necessities; to give an extreme but simple example, if there were a country with two equally sized groups, one rich and one poor, and the life expectancies were 60 years and 40 years, respectively, the average life expectancy would be raised equally if that of the rich was raised to 70 or that of the poor was raised to 50, but the difference in access to basic necessities would be increased in one case and decreased in the other. Thus we really should look at the dispersion in these measures across groups in the countries as well as their absolute levels, where possible.

show that growth in GNP itself is neither necessary nor sufficient for gains in important areas of justice. Further collection of statistics on variables closely related to the basic requirements for justice, along with investigations into the specific factors leading to relatively just and unjust situations would certainly be desirable.

B. Other Important Principles. In addition to the guiding principle of stewardship for justice, there are several other principles that should be kept in mind when seeking to achieve more justice in relations between rich and poor internationally.

1. It is important to remember that relative as well as absolute income levels are important in meeting the goals of justice. Of course a certain absolute level of income is necessary to sustain life and to be able to provide for oneself and to function responsibly in any society. But as a society becomes wealthier and more technologically complex, more and more resources and income are needed to attain the same level of welfare, and particularly to have opportunities for responsible, decision-making participation in the economy and society at large (Hirsch, 1976; Easterlin, 1974). For example, as the average level of educational attainment in the labor force rises, the educational requirements for many jobs also rise, so that a person will have to spend more time and money in order to obtain a particular job (Thurow, 1975, pp. 75-97). Furthermore, as the technological complexity of production and the size of many producing units rises, often it is more difficult for a family or small group of families to engage in an independent production enterprise, and it adds to pressures on those in such enterprises to accumulate more capital for their own use. And to give some examples from consumption behavior, with the common usage of the automobile in the United States has come a deterioration of public transportation in many areas, and the separation of employment locations from residential areas. This often makes the ownership of an automobile a near necessity for most families in many areas of the United States. And with the spread of refrigerators to most households, refrigeration has become more of a necessity because local markets where one can shop daily for perishable items are no longer present in many areas. Thus reductions in income differences within nations as well as increases in the absolute incomes of the poor are important if justice is to be obtained. The same is true of differences in incomes between various nations (the differences are probably less serious here because there is less interaction between societies than within them, but the degree

⁴⁷See McLaughlin, 1979, pp. 129-168 for more information on the PQLI and its associated Disparity Reduction Rate, a measure of the rate at which the gap between the present level and the "best obtainable level" for any country in 2000 is being reduced. For those wishing to use rates of change in GNP as a measure of progress, the "poverty-weighted" measure of Ahluwalia and Chenery is better than the unadjusted measure, and the different relations between it and the unadjusted measure in various countries show that the same rate of growth in GNP can have vastly different effects on poverty, depending upon how the growth is distributed. See Chenery, 1974, pp. 38-51.

of interaction between societies is constantly growing). The importance of relative income differences means that growth in incomes of the already high-income countries and of the elites in lower-income countries increases the problems of the poor, unless that growth causes an even greater growth in incomes of the poor.

2. Another important principle is that both social, political, and economic structures and policies (which I will call "institutions") and personal behavior within these institutions are important in achieving more justice. Structures and policies, both intranational and international, are important to the establishment of justice, and thus Christians should work to obtain the most-just structures possible. For example, if land holdings are highly concentrated in an agrarian society, justice is much less likely to be achieved than if land is more equally distributed. Likewise, if a relatively poor group is restricted on racial, ethnic, or religious grounds, this will be a hindrance to the establishment of justice. In addition, the lower-income nations are less likely to be aided in meeting their needs if trade-restriction reductions are negotiated on the basis of reciprocity (because they have relatively little of value to give up in the negotiations) than if the higher-income countries are willing to reduce barriers without seeking a corresponding reduction from the lower-income countries. Furthermore, if the resources of the seabed are put under the control of an international agency whose purpose is to use them for the benefit of all mankind (and particularly for the poorer peoples of the world), this would be more apt to achieve justice than if they were opened for exploitation on a purely competitive basis (in which case the already wealthy and powerful will get the lion's share of them and disparities will be further increased).

But personal behavior within the existing institutions is also important. Within any set of institutions there will be opportunities for some people, particularly the already powerful, to take advantage of others. The more that individuals or groups strive for superiority over others, the more stringent the institutions will have to be in order to insure opportunity for all. And the more stringent and detailed the structures and policies become, the less scope there is for responsible (as well as irresponsible) individual decision-making and action, and the more scope there is for inequitable side-effects. For example, because of pervasive racial discrimination in the United States, increasingly strict laws and regulations have been instituted in an attempt to reduce this discrimination, and some of them may reduce the opportunities of young white males in a way that is not fully equitable. Just institutions and just behavior within them are complements of each other in attaining justice; the less just either is, the greater the burden that is placed on the other and thus the more difficulty there will be in achieving justice.

3. The next principle is closely related to the previous one; it is that "technical fixes" in structures and policies are not sufficient to obtain justice; a basic change of heart and accompanying change of behavior on the part of many of the people of the world is also important. As indicated above, changes in institutions are important in achieving more justice in the world. But these institutions are not just the result of some technical facts or

objective analyses, although technical analysis does play a role in determining them. The basic attitudes of people, the direction of their hearts, and the orientation of their lives influence these institutions even more strongly. Those who benefit from the present institutions also have the greatest power to determine both the means by which they may be changed and the specific changes that will be made. If their basic goal is the preservation of their privileged status, it will be very difficult, if not impossible, to bring about the institutional changes required to attain a significant amount of justice. However if the lives of these powerful people become motivated by a concern for justice for their poor and oppressed brothers and sisters, institutional changes conducive to a more-just order will be much easier to obtain.

Of course the basic direction of a person's heart and life is also very important in determining his individual actions within a set of institutions, and this is an additional reason why it is important for the establishment of justice. And even as institutional and individual actions for justice are complementary, so too will individual behavior directed toward justice be an aid in one's work for more-just institutions. Calls for institutional justice will be more effective when they are seen to be part of a coherent lifestyle oriented toward justice (actions speak louder than, or a least greatly reinforce, words), and individual actions for justice will, in at least some cases, begin to change the balance of power in directions more conducive to structural change for justice (by giving the poor and oppressed somewhat more political and economic power).

4. An additional related principle is that when devising strategies to achieve more justice we must avoid falling into either of two opposite traps. On the one hand we should not assume a utopian world in which all those who have wealth and power are automatically willing to give it up to aid others who have less than they do; this would lead to strategies that have no hope of acceptance by the powerful and thus would be futile. (However it may be useful to try to develop a clear picture of a fully just set of institutions; this could have relevance for strategies for change even though the best strategy might not be to work directly for such a set of institutions.) On the other hand we must not despair of obtaining any change in the individual and institutional behavior of the presently powerful in ways that would help others (and thus decrease their absolute or relative "advantage" in their own eyes). This would lead to policies that did little or nothing to redress the injustices that presently exist (or perhaps it would lead to a revolutionary situation, which would have the potential for much injustice whether or not the revolution succeeded).

Rather we must devise strategies that will attempt to change peoples' hearts so that they are more willing to seek justice and aid others, and at the same time devise strategies that will obtain somewhat more justice in a world in which most people are still motivated more strongly by love of self than by a love of God and neighbor. We must be proclaiming by our deeds and words the good news of liberation in Christ from the unfulfilling, individualistic, materialistic, idolatry of our age, and attempt to demonstrate that even by a "narrow" self-interest criterion (as opposed to a broad, Scriptural,

"self-interest" criterion which directly involves the interests of others) that injustice should be relieved--that poverty, oppression, and lack of opportunity in this world have ill effects on all human beings, and that if injustice is allowed to remain unabated it will create insecurity for all people and their children. (Sin has harmful consequences in this life as well as the life to come. At least some of these harmful consequences can be recognized by non-Christians as well as Christians. See, for example, the non-Christian outlook on the future contained in Heilbroner's *An Inquiry into the Human Prospect*.) While we are doing this we must develop strategies for justice that have a significant chance of acceptance by those in power who are still basically self-centered and interested in preserving their privileged positions (we must realize that even Christians are much affected by this sin).

5. A further important principle is that institutional changes on various levels can also be complementary. For example transfers of resources from richer to poorer nations are necessary for the establishment of justice, but if the transfers are used primarily for the benefit of a privileged elite in the poorer nations, they will not achieve much, if any, justice, and this will tend to reduce the willingness of the richer nations to make such transfers (Timbergen, 1976, pp. 65-66). Thus a change to more-just structures within lower-income nations can increase both the effectiveness of a given amount, and the amount, of such transfers.

6. The final guiding principle is that we should be careful to avoid what Charles Elliott calls "confidence mechanisms" or "con-mechs" (Elliott, 1975, pp. 1-15). These are structures or policies that have an appearance of justice (to the poor and perhaps even to those who propose them and benefit from them) and thus build confidence in, and support for, the system, but actually help to perpetuate the disparities in income, wealth, and power. One example of such a con-mech is subsidized public education in which admittance to the upper levels is on the basis of tests that are more easily passed by the children of relatively highly educated parents; another is a system of government-subsidized access to credit and new technology which is in practice only available to those firms or individuals, urban or rural, industrial or agricultural, which are already relatively wealthy and powerful, and not to the small landowner or tenant farmer or the proprietor of a small business in the informal sector (*ibid.*, pp. 228-262, 346-380).

C. Some Basic Facts. In addition to the above principles, there are some basic facts that should be kept in mind when developing proposals for policies and actions to bring more economic justice to the relations between rich and poor internationally.

1. All low-income countries are not alike; rather there are major differences in the situations of the various low-income and middle-income nations. As was discussed above, the average income per capita varies a great deal among these countries and the distribution of income and degree of provision of the basic necessities of life to all differ considerably; land is extremely scarce and intensively used in some, but not in others; land is much more equally distributed in some than in others; some are net exporters of

primary products (agricultural goods and raw materials with little or no processing), while others are net importers of them; and so forth. Thus no one strategy is appropriate for dealing with the particular problems of all of the poor persons and poor countries.

2. A second basic fact is that rural development is particularly important to the establishment of economic justice in the world, for a number of reasons. First, most of the world's poorest people live in rural areas (Chenery, 1974, pp. 19-20; Uri, 1976, p. 52); in fact the World Bank has estimated that more than 80 percent of the poor in lower-income countries live in rural areas (World Bank, 1975, p. 4). Second, much of the problem of urban poverty is indirectly due to rural poverty, since the lack of opportunity in the rural areas together with the hope (often unfulfilled) of a job in the city causes many to migrate to the cities. Third, food is a basic necessity of life, but the FAO has estimated that about 20 percent of the people in the low-income countries are seriously malnourished (Sartorius, 1975, p. 12); if the poor in the low-income countries are to have adequate nutrition and if world food production is to increase enough to feed the constantly growing population of the world, it is important that the productivity of farmers in these nations be raised; raising local agricultural productivity can give many of the poor incomes with which to buy sufficient food; imported food will be expensive food in terms of the earning power of the poor in low-income nations because of the relatively high costs of purchasing and transporting it from a high-income nation; large food imports would be a constant drain on the scarce foreign reserves of the low-income nations; and food-importing low-income nations are subject to instability and put in an especially difficult position when world-wide food shortages cause prices to rise and food aid falls. Furthermore, since much more effort has already been spent on improving the productivity of agriculture in the higher-income countries, it is likely that we are well into the realm of diminishing returns to further investments there, and that an equivalent investment in agriculture in the poorer nations will give greater returns in terms of increases in food production.

3. A third basic fact is that a supply of foreign exchange is important for low-income countries in achieving the goals of justice, since many of the resources needed for the rapid achievement of these goals are not available within the low-income countries themselves. Development goals have often been unmet in the past because of shortages of foreign exchange, and the problem has become more severe in recent years for oil- and food-importing low-income nations whose deficits in their balance of payments have risen rapidly in face of the increases in oil and food prices and the decrease in demand for their output caused by the recessions in the higher-income nations (Sewell, 1977, pp. 98-101). Unless additional foreign exchange is made available to them soon this will have serious effects on their ability to meet the present needs of their people and proceed with further development, particularly for the lowest-income countries. Projections contained in a study by Massily Leontier for the United Nations indicate that balance-of-payments problems for most low-income regions will increase over the next 20 years if they grow at a fast enough rate to reduce the relative

differences in income between themselves and the higher-income nations (Leontief, 1977, pp. 64-69).

There are three basic sources of foreign exchange (other than existing exchange reserves, which are minimal for most low-income countries). One is export earnings; these may come from primary products or manufactured products. Even when fuels are excluded the majority of the exports of the low-income nations are in the form of primary products (McLaughlin, 1979, p. 207). Although it is by no means clear that the prices of primary products are declining in the long-run relative to those of manufactured goods (Uri, 1976, pp. 96-103) as has often been suggested, and the Leontief projections indicate that primary product prices will rise relative to manufactured goods prices in the coming decades if there is rapid growth in the poorer nations (Leontief, 1977, p. 65), there has been, and continues to be, a serious problem with major short-term fluctuations in the prices of primary products. Prices of primary products fluctuate much more than the prices of manufactured goods, which are often produced by large firms who have significant control over the prices of their products (McNicol, 1978, p. 18). Low-income countries cannot reasonably plan for their development when such a major source of their foreign exchange fluctuates so much (Sewell, 1977, pp. 195-197; Uri, 1976, pp. 96-119; Uri has a particularly extensive discussion of the causes of fluctuations in prices of various types of primary products). The lowest-income countries have an especially hard time financing even temporary balance-of-payments deficits due to falling primary product receipts. The rapid fluctuations in prices also make planning and development difficult for low-income nations who are importers of the products whose prices rise abruptly, and rapid price increases can cause continuing inflation in high-income countries by setting off price/wage spirals (Sewell, 1977, pp. 94-96; McLaughlin, 1979, pp. 52-61).

A major barrier to the increase of low-income nations' earnings from exports of manufactured products has been the tariff and non-tariff barriers which many of the high-income nations, including the United States, place on imports of these goods. Although there has been some easing of tariffs on products of low-income nations (especially through the Generalized System of Preferences), trade barriers remain a serious problem, especially for the "middle-income" countries who have the capability of competing with the high-income countries in light manufactures and the processing of their raw materials. Existing trade barriers are particularly strong in these areas in which lower-income countries often have a comparative advantage over higher-income countries (Uri, 1976, pp. 134-138; Morton and Tullock, 1977, pp. 167-185). The World Bank has estimated that if all tariff and non-tariff barriers to exports of manufactures by low- and middle-income countries were eliminated, that "the annual export earnings of the developing countries by 1985 could increase by as much as \$24 billion--\$21 billion of which would accrue to the middle income countries and \$3 billion to the countries with per capita incomes under \$200" (Sewell, 1977, p. 90). This would be a very significant increase in export earnings, since it is equal to about 1/2 of the 1976 level

of exports of manufactures of these countries, about equal to the current-account balance-of-payments deficits of the non-oil-exporting low-income countries in 1977, and it is almost 1 2/3 times the net flow of Official Development Assistance (i.e., foreign aid) from the high-income, market-oriented countries to the low- and middle-income countries in 1977 (calculated from data in McLaughlin, 1979, pp. 208, 236, and 247). Exports not only provide needed foreign exchange for the low-income nations, but they also provide additional jobs for their people; this is another reason why increasing exports and reducing their fluctuations is important for them.

A second source of foreign exchange is foreign investment in lower-income countries. This can take the form of lending on market terms or private direct investment. This is a very limited source for the poorest nations (particularly the lending), but many of the middle-income nations have raised large amounts of funds in this manner. However for the low- and middle-income countries together the net outflow of earnings on previous foreign investments exceeds the net inflow of new capital, thus requiring foreign exchange obtained in other ways to make up the difference (Leontief, 1977, p. 63).

The third basic source of foreign exchange is aid, that is, loans or grants from private or public sources for which repayment is either not required or is on concessional terms, with interest rates substantially below the market rates and usually with a long period for repayment. The net flow of such aid from public sources (called Official Development Assistance, or ODA) from the high-income western donors was \$14.7 billion in 1977, or an average of .31 of 1 percent of their combined GNP's. The net flow of private assistance from these countries was \$1.5 billion, or .03 of 1 percent of their combined GNP's. The net flow of ODA from the United States in 1975 was .22 of 1 percent of GNP and the net private flow was .04 of 1 percent of GNP; the two combined were about \$23 per person in the U.S. (and almost 1/3 of the U.S. economic assistance in fiscal year 1977 was "security supporting assistance", which might more properly be considered military aid rather than economic aid). By contrast, Sweden gave .99 of 1 percent and the Netherlands .85 of 1 percent of its GNP in ODA in 1977. The net flow of concessional aid from the OPEC nations in 1977 totaled \$5.6 billion, or 1.95 percent of their combined GNP's (the majority of it to Arab and other Islamic countries), and the net flow of ODA from the Communist countries was \$0.71 billion, or less than .1 of 1 percent of their GNP's in 1975⁴⁸ (McLaughlin, 1977, pp. 244-256).

But not only is the level of aid low, the aid has often not been directed in such a way as to help the poorest of the world's people. Much of the aid goes to middle-income countries rather than to the poorest countries. The use

⁴⁸The figure for the Communist countries excludes ODA to the centrally-planned low-income countries. In 1971 disbursements to them totaled \$1.3 billion.

Kingdom during that period by \$4.6 billion (Tinbergen, 1976, p. 40). In addition, the high-income countries restrict imports of many agricultural products and manufactured goods, in which lower-income countries could compete with them, and many of the products sold by them to the lower-income countries are produced and sold under oligopolistic conditions rather than purely competitive conditions, and this often puts the lower-income countries at a disadvantage (Ibid., p. 60; Uri, 1976, pp. 107-111). Thus the high-income countries have no valid ground for arguing against measures that would achieve more justice in the world on the basis that the measures would cause a departure from free market conditions. (Christians should not make such an argument in any case; a "free market" is not to be preferred to economic justice.)

D. Strategies For Establishing Economic Justice Internationally. In view of the above, what specific strategies should be adopted in attempting to attain more economic justice internationally? A full answer to this question is beyond the limits of this paper, due to the complexity of the situation and the wide variety of conditions facing us. Because of differing situations, no one set of policies will be appropriate for achieving justice in every situation, and there are exceptions to much of what is said below. The specific strategies discussed below have been chosen on the basis of their general importance to the establishment of justice and their political feasibility. Emphasis is placed on international structures and policies, but some discussion of intranational institutions in both low- and high-income nations is included, and the important topic of individual and corporate Christian behavior is also discussed.

1. The new flow of Official Development Assistance from high-income countries should be increased and redirected. An appropriate interim goal, to be achieved within the next five years, might be 1 percent of the GDP of the high-income countries, with a goal of 2 to 3 percent by the end of the century. Although these figures are small in relation to the capabilities of the high-income countries and are far below the level of internal redistribution via taxes and transfers in any high-income country, they are far above the amount that all but a few countries are giving now (total aid from the market-oriented, high-income countries would have been about \$47 billion in 1977 had the 1 percent standard been followed, rather than the actual \$14.6 billion), and the 1 percent would be equal to over 20 percent of the total 1976 GNP's of the 45 countries on the Overseas Development Council's list of low-income nations (McLaughlin, 1979, pp. 156, 248). This increase and the longer-run increase to 2 to 3 percent of GDP would help alleviate the above mentioned foreign-exchange and balance-of-payments problems of the countries receiving it (Leontief, 1977, pp. 60-62, 67-68), and would make it possible for them to meet the needs of their poor faster and more completely than would be possible otherwise. This level would not be a great burden on the high-income countries, however (it is the equivalent of only a year or two of average growth in GNP per capita for them), and is about the level of United States aid during the early Marshall Plan years (Uri, 1976, pp. 35-36).

of aid has often been restricted to the purchase of goods from the donor countries, and these often involve technologies which are inappropriate for the low-income countries, and are particularly ill-suited for meeting the needs of the poor in them. The resulting development projects have often been highly capital-intensive, creating only a few jobs, and contributing to the "dualization" of the economy, that is, the growth of a small relatively-high wage "modern" sector in a country with high unemployment and low wages for the masses of the people in the "traditional" sector. Such development strategies were based on a "trickle-down" theory of development which held that if the GNP of a country were raised by developing a small modern sector, the benefits would spread to all population groups; but such "development" has not in general contributed much to the relief of the absolute poverty of the poorest people in the world, and it exacerbates the problems of relative poverty in the countries where it occurs (ILO, 1977, p. vi).

4. A fourth basic fact is that transfers of resources are important if rapid progress is to be made in establishing justice. Such transfers are needed both inter- and intranationally. The lowest-income countries, and the poorest persons within them, do not have sufficient resources of their own to make rapid progress towards meeting all of their basic needs and developing their God-given talents so that they can provide for themselves with opportunities for responsible stewardship. Since human resources are needed as well as financial and physical resources there is a large opportunity for those with a wide variety of talents (e.g., entrepreneurial, technical, professional, "blue collar" skills, agricultural) to devote these talents to the advancement of their poorer brothers and sisters. However transfers of resources alone are not enough; they can be misdirected by donors and misused by recipients. Furthermore large external transfers are not absolutely necessary for even the poorest countries to make significant progress in meeting the needs of their poorest citizens; as was discussed above, countries with similar levels of income have widely varying records regarding the distribution of income within the country and the meeting of the basic needs of their citizens. In any case the internal distribution of external transfers is very important; if additional transfers were to be distributed within most low-income nations in proportion to the current income distributions there, they would do little to improve the conditions of the poorest groups.

5. Finally, it should be recognized that current inter- and intranational economic relations contain many departures from a "competitive free market" situation, and that many of these departures benefit the higher-income nations and groups. For example, free movement of labor is not allowed between countries; in particular many high-income countries make it easier for highly skilled persons than for less-skilled persons to migrate from lower-income countries; it has been estimated that the "imputed capital value of the skill of technicians" who migrated to the United States, Canada, and the United Kingdom from the low-income countries between 1960 and 1972 exceeded the aid to these countries from the United States, Canada, and the United

But not only should ODA be increased, it should also be redirected. It should be aimed particularly at meeting the needs of the poorest people in the world, especially those in the lowest-income countries, instead of going primarily to the middle-income countries and to highly-capital-intensive projects that benefit a relatively small number of persons (many of whom are already relatively well-off in relation to others in their country). The aid should be directed to the immediate subsistence needs of the poor (food, shelter, health care), but also to investments in their earning capacities to enable them to become self-supporting, particularly by raising their human capital (expenditures to meet the basic subsistence needs of the poor, especially of the children, are themselves investments in human capital, since they enable them to be more productive later). The "trickle-down" theory of development can no longer be accepted since such development generally fails to make much headway against absolute poverty, and often exacerbates the problem of relative poverty. In recent years many high-income countries and multi-national agencies have begun to shift their aid patterns so that more of it is aimed at meeting the basic human needs of the poor, but the change has been by no means complete, and there is considerable resistance to it among some of the elites in both high- and low-income countries (ILO, 1977, pp. vi-viii; Sewell, 1975, pp. 21-85; McLaughlin, 1979, pp. 102-105).

In order to directly attack the problems of the world's poorest people a concentrated attack must be made on rural poverty. Since this will require resource transfers into the rural sector (for such things as agricultural research, training of the rural poor, irrigation, education, health care, transportation networks, better seeds, and fertilizers), much of the aid should go to the poorest nations for these purposes. The emphasis should be on raising the productivity of the small farmers and landless peasants. In many cases this will require land reform in countries where land holdings are concentrated (as is true of many Asian and Latin American countries) and bringing new lands under cultivation where such land is available (as is true in many African countries) (Chenery, 1974, pp. 111-135). Land reform is important because it not only provides many previously very poor people with an asset that will help them to earn an income and give them opportunities for stewardship in production, but also because farming methods are more labor-intensive on small plots, thus it raises the demand for rural labor (Johnston, 1977, p. 884). There is also evidence that such small, labor-intensive farms can produce more per acre than large farms if effective extension and other services are provided (McLaughlin, 1979, p. 66). Care must be taken to design research and development programs so that their results will be useful to small farmers, to provide small farmers the knowledge and credit they will need to make use of the new methods, and to relieve them of some of the risk of the new technology until it has proven itself (Chenery, 1974, pp. 128-131). Emphasis should be placed on labor-intensive methods of production where possible in order to aid in attacking the massive problems of unemployment and underemployment that exist in most rural areas of low-income nations. Research on new crop varieties and agricultural methods should take place in the regions for

which they are designed, to help insure their suitability for those regions. Extension agents should be trained to work with small farmers in using the new methods and varieties of crops (Sartorius, 1975; Johnston, 1977, pp. 891-894).

It is also important to provide employment for rural inhabitants who are landless or whose land is not able to fully support them. While some long-term employment will be generated by the public projects (such as schools, clinics, and transportation services), and some by more intensive agriculture, in many cases this will not be sufficient to provide employment for all of those needing it. Thus small-scale industrial enterprises, using local raw materials where possible, should also be developed. One important aspect of this is the development of technologies appropriate to the local resource endowments (generally they should be labor-intensive). Forestry-related industries are a possibility in many areas. Small-scale renewable energy projects could help provide employment and reduce the drain on foreign reserves that comes from fuel imports. Many are already cost-competitive with petroleum in low-income countries (McLaughlin, 1979, p. 68). Such enterprises should be organized cooperatively where possible to give the workers more opportunity for decision-making regarding the use of their resources (Chenery, 1974, pp. 133-135; Sartorius, 1975, pp. 30-43).

Educational opportunities should be expanded in rural areas in which they are now seriously lacking, since education is important for the future earning power and functioning of the children of today. In addition, health services should be expanded in rural areas. The emphasis here should be on the provision of basic health services and preventive medicine to as many people as possible, using paraprofessionals, rather than the provision of expensive, highly-technical western-style health care to only a few (Chenery, 1974, pp. 149-151). A voluntary family planning program is an important adjunct to such rural development programs. A coordinated program of nutrition, health care, education, general development, and family planning services could help to reduce the rapid rates of population growth which contribute to the problems of poverty in many countries (Johnston, 1977, pp. 895-899; Brown, 1974, pp. 112-127).

Of course there are also many urban poor in most low-income countries and they should receive aid as well. It is important that development aid designed to meet their needs be aimed directly at their needs; their needs will not be effectively met by a trickle down from investments in a highly capital-intensive modern sector that provides relatively few jobs. As with the rural poor it is important to provide them with basic nutrition, health care, sanitation, and housing where these are lacking (many of these services in urban areas are publically subsidized, but go mainly to the middle- and upper-income urban residents). Assistance in the form of subsidized credit and technical aid and purchases of products (which now go mainly to relatively large "modern" enterprises) should be given for the creation and support of relatively small-scale, labor-intensive enterprises

heads among themselves, and the recipient nations now have varying degrees of influence in the multilateral aid institutions; Uri, 1976, pp. 57-59). The standards could be developed from some initial attempts such as the Physical Quality of Life Index of the Overseas Development Council (discussed above). Such standards will, of course, always be incomplete due to both conceptual and data problems (the problems in the area of political rights will be even more difficult than those in the area of economic rights), and some judgments regarding individual projects and grants will always have to be made; in the interests of equality of opportunity among nations it is important that the recipient nations (perhaps in regional groupings) have a major role in this (Tinbergen, 1976, pp. 273, 276-277).

2. In addition to increasing Official Development Assistance from the high-income nations, newly-created or newly-allocated claims on resources should be devoted to the needs of the poor of the world (Sewell, 1977, p. 132). For example, when the International Monetary Fund creates Special Drawing Rights (SDRs) it is creating new claims on resources. These have gone primarily to the high-income nations in the past; it would be more equitable to allocate them in line with the criteria set forth above or to use them to finance commodity stabilization programs (Tinbergen, 1976, pp. 245-260). The same is true of the resources of the deep seabed. An international agency should be set up to control the use of these resources, with the benefits from their exploitation being used to help the poor of the world. The agency could collect royalties on the extraction of the resources, or even require that a certain degree of control, employment, and profits of any venture involved in seabed mining go to low-income nations; this could provide strong incentives for the transnational enterprises who have the technology required for such mining to share it with the lower-income nations and to train and employ their citizens (Tinbergen, 1976, pp. 411-420). Resources of the Antarctic regions and outer space might be similarly handled if it becomes economically feasible to exploit them. A major advantage of allocating such newly-created claims to the needs of the poor is that once allocated, the flow of resources from them could continue without being subject to the annual budgetary processes of the governments of the high-income nations. Also it is often easier politically to allocate new claims to the poor than to transfer some existing claims from the rich to the poor. (Of course, even allocating new claims to the poor is not without political problems; the powerful usually wish to add them to their existing claims.)

3. Strategies aimed at providing growth and stability in export earnings for the poorer nations of the world are also important. While the above strategies would help primarily the lowest-income countries (indeed the aid to some middle-income countries would be reduced under these proposals), the strategies involving trade (particularly the ones involving manufactures) would be of particular help to the middle-income countries.

As discussed above, the large fluctuations in prices of primary products create major problems for low-income countries who rely on exports of them

to provide jobs for the many unemployed and underemployed (cooperatives should be encouraged here as in the rural areas). The emphasis should be on providing employment and incomes to the poor, not on the maximization of growth in output. Rural development is also important in this connection, since it may help to reduce the tide of those moving to the urban areas and adding to the social and economic problems there (Chenery, 1974, pp. 136-157).

The ODA should be allocated to specific countries and projects on a three-fold basis: first, the degree to which the project itself will meet the basic needs of the poor; second, the overall poverty of the country itself (since this is a major determinant of the ability of the country to finance such projects itself); and third, the willingness of the country to institute the domestic reforms necessary to provide basic human rights (economic, political, and social) to all of its people (Sewell, 1977, pp. 128-130; Tinbergen, 1976, pp. 270-273; Chenery, 1974, pp. 175-176). Some will object to these criteria, particularly the last one, on the grounds that they involve unwarranted intervention in the internal affairs of the recipient countries. And they will be resisted by some of the elites in both high-income countries (who wish to use aid primarily for attaining political aims or creating markets for their products and opportunities for profitable investment, rather than alleviating poverty) and in low-income countries (who wish to use the aid to enhance their own positions). However it is important that such criteria or similar ones be used for the allocation of aid if it is to achieve its purpose of providing justice by increasing the opportunities of the world's poorest people. And if instituted on a broad basis (with most of the donor nations and multilateral aid institutions following them), they may even help to ease some of the political problems of getting aid to the people who need it the most. Elites in the recipient nations will no longer face the choice of obtaining aid for either a small modern sector or for their poorest citizens, but would be limited to aid directed to their poorest citizens or none at all; and the third criterion will give financial incentives that are presently lacking for domestic programs which establish justice. Moreover an assurance that the aid is directed to the poorest of the world's people may help to make such aid politically acceptable in the donor nations (the United States Congress has already enacted restrictions moving in this direction in legislation relating to aid; see, for example, Sewell, 1977, p. 129; and McLaughlin, 1979, pp. 102-105). The problem of intervention in the internal affairs of recipient nations would be alleviated if the attainment of basic human rights is the criterion for aid, and not the particular economic system by which they are achieved (e.g., socialist or capitalist orientation). In the past the system has often been stressed more than the help to the poor (at least in the case of aid from the United States; Sewell, 1977, pp. 129-130; Chenery, 1974, pp. 175-176); moving to the criteria proposed would mean less intervention rather than more. This would be especially true if, to the extent possible, aid would be allocated on the basis of specific, objective standards, and if the recipient nations would be given an active role in the allocation of aid within these criteria (under the Marshall Plan, the United States gave the Europeans the responsibility for allocating the

for foreign exchange, as well as for those low-and high-income countries who are importers of them. Thus it would be in the interests of all parties (except perhaps speculators) to develop commodity price stabilization programs with buffer stocks to reduce the fluctuations in demand and price. The experience with tin indicates that such plans can function successfully over time. Whether they are individually or jointly operated and financed is less important than whether or not both producer and consumer nations cooperate in their administration with a real attempt to make them work (Uri, 1976, pp. 104-117; Sewell, 1977, pp. 94-97; McHicol, 1978, pp. 67-85. McLaughlin, 1979, pp. 59-60, reports on several quantitative studies that concluded such stabilization programs could benefit both low- and high-income nations).

It is particularly important that such a buffer stock and price stabilization scheme be set up for basic foodstuffs. The past and current practice of the major high-income producer nations of protecting their home markets by import controls, encouraging production by means of price supports, and dumping excess production abroad at low prices when they have surpluses, but selling at high prices when there are world-wide shortages, harms the low-income countries in several ways. The import barriers and low-price sales of surpluses harm the development of agriculture in the low-income countries by depressing the prices that can be obtained by farmers in these countries; then when there are shortages and prices rise drastically and food aid is reduced, low-income countries must spend much scarce foreign exchange to buy food for their people. It would be far better for the surpluses to be put into grain reserves when production is high, keeping prices from falling so low as to discourage production, with the reserves available to keep prices from going up drastically when there are crop failures in major growing regions (Uri, 1976, pp. 107-110). Some food aid should still be given, but its amounts should be determined by the needs of the recipient nations, not the size of the surpluses in the donor nations, and the aid should be part of an overall plan of development of food production in lower-income nations; in particular, care must be taken not to disrupt incentives for production in the recipient nations (Sewell, pp. 113-117). It might be desirable to have two food reserves, an inter-nationally-controlled emergency reserve to be used for cases of severe hunger or famine, and a price-stabilization reserve that could be at least partly held and controlled by the producing countries. There has been considerable progress in U.S. food-aid and food-reserve policy in recent years, but much remains to be done and world food stocks remain quite low after several good harvest years in the late 70's; if there are several bad crop years in succession world-wide, the situation could again become desperate for the low-income nations (McLaughlin, 1979, pp. 98-102).

There remains the question of whether commodity price stabilization programs should be used to attempt to raise the relative prices of commodities in relation to manufactured goods above otherwise-prevailing

levels in the long run. This would be much more difficult to achieve, both because of the opposition to it by nations which are net importers of the goods (especially the high-income importers, but some low-income nations would also be hurt economically by it), and because it would require coordinated restrictions on supplies to keep stockpiles from building up to unmanageable levels. But since the prices of many other goods are not competitively determined, and it is not clear that present relative prices are just, one should not oppose this in principle. It would be unfortunate, however, if debate over this point prevented the establishment of a stabilization program. To avoid that, a stabilization program should be established that neither presupposes nor rules out future collective action by producing states to raise the relative prices of their products. At some point in the future the world community may wish to encourage this for some commodities, just as many nations have encouraged collective bargaining between their workers and their employers. But since, as we have seen so clearly with the OPEC oil-price increases, commodity-price increases help some low-income countries and harm others (because some are well-endowed with the commodities whose prices are rising, and others lack them), a more equitable long-run solution might be to have a world-wide tax on commodities, the proceeds of which would go to low-income nations for their development projects (Tinbergen, pp. 179-185, 326-333). I doubt that this is politically feasible at the present time, however, in spite of the endorsement of the idea by the "Brandt Commission" of "internationally prominent men and women" (Nossiter, 1980).

4. With respect to manufactured goods, the high-income nations should remove their barriers to imports of goods from the low- and middle-income nations (even where tariffs have already been reduced or eliminated, quotas or other barriers often remain; such barriers are a problem with respect to some commodities as well). This is particularly important with respect to processed agricultural products, handicrafts, and other labor-intensive goods that are likely to be produced by relatively poor persons (Chenery, 1974, pp. 169-170; Uri, 1976, pp. 127-138). As indicated above, such reductions would aid the lower-income countries not only by enabling them to earn more foreign exchange, but also by providing employment opportunities in their expanding export industries. A major hindrance to a reduction in trade barriers is the fact that large increases in imports often cause unemployment in the importing countries, and this unemployment often affects relatively low-income workers most heavily. The high-income countries should not "export their unemployment" by means of trade barriers, however; they have a greater capacity for creating alternative job opportunities for the unemployed workers than do the lower-income countries, and it has been estimated that for every job lost in the United States due to increased imports from lower-income countries, from 2 to 6 jobs could be created in the exporting countries, taking into account only direct effects (the poorer the country, the greater the number of jobs that would be created, because the lower is the output per worker). If indirect effects are included, a very poor country might gain employment for as many as 20

workers for every worker displaced in a high-income country (Lydall, 1975). In order to meet the needs of their workers and reduce the political pressures for trade restrictions, the high-income countries should follow high-employment domestic policies and provide more extensive adjustment assistance to workers and enterprises adversely affected by imports from lower-income nations (Sewell, 1977, pp. 89-94; Uri, 1976, pp. 138-142).

5. Transnational enterprises (TNE's), by their control of such a large proportion of the world's production and technology have enormous power in the world today; their influence extends far beyond the purely economic sphere, and in many respects they are not subject to the control of any one government. Their resources enable them to be of aid to some lower-income countries in their development plans, but the goals of the TNE's and the countries are often not the same, and unequal bargaining power between TNE's and the lower-income countries has often led to a situation in which the TNE's activities have been of limited or even negative value to the countries in which they operate. They have often contributed to "dualization" of the economies of low-income countries by bringing modern technology and products and an affluent lifestyle into the low-income countries; and they have sometimes followed policies which, while profitable for themselves and an elite in their "host" country, have neglected or even worsened the plight of the poor in such countries (for example, conversion of cropland from domestic food products to export products, displacing many small farmers and raising the domestic price of food). The growth in the size of TNE's contributes to a situation in which the control over decisions in the national and international economies is concentrated into fewer and fewer hands. To help redress this situation, it is important that the lower-income countries adopt a "basic needs" approach to development, and provide incentives for the TNE's that they deal with to contribute to such development. It is also important that a legally-enforceable international code of behavior governing TNE's be set up, covering such areas as maximum size, concentration and market structure, ownership and control, transfer pricing, taxation, accounting standards, and disclosure. Limits should be placed on tax concessions to be given to TNE's, and collective bargaining by producer associations and regional groups of lower-income countries with TNE's provided for. Such a code would probably have to be enforced at first in national courts, but in the long run perhaps an international agency with legal powers and control over TNE's could be set up (Tinbergen, 1976, pp. 193-197, 355-369; Uri, 1976, pp. 76-95; IL0, 1977, pp. 157-170).

6. If the problems of injustice in the international economic order are to be solved, people will have to broaden their concerns and actions for others from the relatively narrow areas in which they are exercised at present (be that family, ethnic or religious group, or nation) to concerns and actions for all of mankind, regardless of racial, ethnic, religious, or national boundaries (or even boundaries of time; that is, an

active concern for future generations must be present) (Heilbroner, 1974, pp. 113-116). Who but Christians, with the all-encompassing love of Christ as their model and source of power, can take the lead in this? Structurally this means that we cannot make an idol of our nation-states and their sovereignty, but must be willing to give up elements of sovereignty when that is needed to achieve more justice; more and more resources must be treated as a "common heritage of mankind", rather than exploited for narrow personal or national ends (Tinbergen, 1976, pp. 97-100). This is consistent with the Christian idea that man is a steward of God's resources, not an absolute owner of them, and in this stewardship the needs of others must always receive major consideration. Some structural steps in this direction suggested above include international agencies governing exploitation of seabed resources and TNE's, and an international tax on mineral resource production. Note that such reductions in national sovereignty and creation of international policy-making bodies need not, and indeed should not, involve centralized management of production and consumption activities; room should be left for responsible decision-making in small units, with the participation of all of those involved in the particular activities (*ibid.*).

7. Institutional change within both high- and low-income countries is also necessary for the establishment of economic justice. It is not possible to discuss here the many specific changes needed in the various countries with their differing situations. Several general strategies will be discussed briefly, however.

Redistribution of wealth, power, and income toward the poor is necessary within lower-income countries, just as it is necessary internationally. Specific steps to achieve this will differ somewhat from country to country, but a change from a "dual economy", "trickle-down" development strategy to one emphasizing rural development and aid to small farmers and small labor-intensive industries in both the rural and urban areas will be an important component of this in most countries. Land reform will be necessary in many countries. In the provision of public services (health care, education, etc.) an attempt should be made to provide all with at least a basic minimum level of service, rather than providing a high level to a small number and little or nothing to the masses (Chenery, 1974, pp. 52-157; 253-290). Restrictions on racial, ethnic, or religious grounds which hinder poor groups should neither be required nor allowed by law.

In carrying out such redistributive policies care must be taken to enact programs that really create opportunities for the poor, rather than "confidence mechanisms" which give the appearance of opportunity but provide little real opportunity (Elliott, 1975, pp. 1-15, 278-380). In addition to those mentioned earlier, heavy protection of industries producing necessities may be a "con-mech", providing relatively high incomes to those few who own and work in such industries, at the expense of many poor who must buy

their high-priced goods (some protection may be justified however, particularly for goods produced by small-scale, labor-intensive farms or firms). With respect to racial or other discrimination, even a simple prohibition of it may be a "con-mech" because the results of past discrimination may make it impossible for those discriminated against to compete on an equal basis; in these cases various types of "affirmative action" programs giving special help to those who have been discriminated against would be necessary.

High levels of military expenditures (often encouraged by arms producers and governments in the United States and other high-income nations), which use up much of the scarce domestic resources and foreign exchange desperately needed for provision of services to the poor, should be reduced (Sewell, 1977, pp. 134-137, 214-217).

Of course, such changes are, and will continue to be, resisted vigorously by many of those who currently have power in these countries. Even when legislation is passed providing for progress in this area, for example in land reform, it is often not enforced (for one example, see Cheney, 1974, p. 256). It is important that Christians in these countries should pray fervently and work actively for justice in their internal institutions, even if this may subject them to persecution. Those Christians who are among the advantaged groups should also use their personal resources to help those who have less than they do. This will help the poor directly, and the Lord tells us that he does not wish to hear us when we are practicing injustice (Isaiah 58; Amos 5:21-24); furthermore, Christians' appeals to national authorities and fellow citizens will carry little weight if their actions are seen as inconsistent with their words.

8. With respect to internal institutions in high-income countries, there are still many families in such countries which do not have adequate opportunities to meet their needs and exercise responsible stewardship of their resources. These countries should take steps to remedy these problems, of course. At the present time significant unemployment remains in many of them as a result of slow and incomplete recoveries from the recent recessions. It is important for both the poor in their own nations, and for the export earnings of the lower-income nations, that they expand their economies in order to reduce this unemployment. In the longer-run, however, they should not continue to encourage growth in per capita production and consumption as they have done in the past (by various direct and indirect subsidies to technical change and investment, for example), for such growth involves a faster use of non-renewable resources of the earth leaving less available for future generations. It also creates ever-greater disparities in wealth and incomes between the high- and low-income nations, leaving the latter at a comparative disadvantage when competing for the scarce resources of the world (including necessities such as food and fuel). (Leontief's projections indicate that a slowing of long-run growth in the high-income countries would not seriously reduce the exports of the low-income nations in the coming decades; Leontief, 1977, p. 67.)

Christians in the high-income countries should also pray fervently and work actively for the achievement of government policies designed to promote more justice internationally (such as those discussed above). Where Christian political parties exist they should be taking a lead in this; elsewhere Christian political study and action groups (such as Bread for the World, Evangelicals for Social Action, and the Association for Public Justice in the United States) should work for these ends. Such parties and organizations should work together with others, both Christians and non-Christians, who have similar goals. Christians must proclaim the just demands of God to their nations, and also point out the evil consequences of failure to provide justice.

Christians in high-income nations must also change their personal life styles and priorities; we must turn from the materialist idolatry which is so dominant in our cultures and which infects us so deeply, to the freedom we have in Christ to live a life of love and service to others. This means that we must reduce our spending on ourselves, and use our resources to help our brothers and sisters around the world who have severe needs. This involves more than just reducing our consumption and increasing our aid to others; it also involves the way we use our resources (human, physical, and financial) in our production activities; these should be used to meet the needs of others, and not just to provide the highest income for ourselves. The resources of Christians in the high-income countries are extensive enough that the direct impact of our use and sharing of them could be of significant help to the poor. But in addition, our calls to others to behave justly in their personal lives, and our calls for just institutions, are likely to have much greater effects if we demonstrate to the world by our lives that true human fulfillment, happiness, and joy, in this life as well as the life to come, are obtained not from a competitive, materialistic striving after goods and power for ourselves, but through a life of service in Christ's name to others. (God's response to our prayers will be different too, as indicated above.)

How can such a change in life style be accomplished? Much will be needed for this. The church must pray fervently for the guiding of the Spirit in this area. Her ministers should proclaim the Gospel in this area forcefully and repeatedly; deacons must take up their calling and bring the needs of the poor throughout the world, and the responsibility and opportunities to be of service to them, to the attention of the people of God. As members of the body of Christ we must help each other to make these changes through the loving giving and acceptance of guidance and reproof, and by a greater mutual sharing of the resources with which God has entrusted us. Our schools should teach these things to their students, and give them the skills needed to live lives of service to others.

As a specific strategy for denominations in high-income countries (and this could well be followed by others as well) I suggest that they commit themselves to raising their giving for the needs of the poor in

Lower-income nations by at least 1 percent of the total income of the members of the denomination per year, until they have reached a figure of 10 percent of their income (to be reached in 10 years or less). (I do not mean that each member of the denomination would give an equal percentage of income, some would be able to give much more than others. The 10 percent would be in addition to other contributions to the church and related agencies.) The 10 percent would be an interim goal; a new goal would be set when that was reached; it is very possible that the changes in attitude and behavior required to raise 10 percent would make additional amounts easier to obtain than the first 10 percent was. In suggesting this as a goal I am torn between the thought that an annual increase in giving of 1 percent of income is minuscule in relation to the size of the problem and the resources controlled by rich Christians, and the knowledge that this is far beyond what is being contributed by most Christians in high-income countries today. (In my own denomination, contributions to the denominational relief agency, the Christian Reformed World Relief Committee, which engages in both domestic and foreign relief and development programs, in a recent year were less than .25 of 1 percent of the annual income of the members. "Report of the Task Force on World Hunger", 1978, p. 461.) I suggest the goal of an increase of at least 1 percent of income per year for 10 years because it could be accomplished without an immediate major change of life style (and thus is more feasible, given the sin that still infects us, than a much higher goal would be), but at the end of the 10-year period there would begin to be significant differences between the life styles with the 10 percent contribution and those that would have been followed had the increased contributions not been made. And once it becomes evident in their lives that Christians are following a different standard than that of the world, it may be easier for them to make an even greater change from the materialistic life styles of their societies.

The funds raised by such a program should be used to meet current needs of the poor in low-income countries where these needs are severe, but the primary goal should be to use them to create opportunities for the poor to produce for their own needs and to engage in responsible stewardship of their resources. This will involve development projects in rural areas and the poorest urban slums and shanty-towns, providing basic services such as health care, nutrition, education, and shelter, and helping to develop small-scale, labor-intensive farms and industries, as discussed above. Those being aided should have a major share in the decision-making procedures of the projects, and the goal should be to create locally-controlled, self-sustaining projects. (For a good short discussion of basic principles and some specific examples of rural development projects, see Sartorius, 1975.) In addition to raising funds for such projects, the churches should challenge their members to examine their hearts to see if they are called by God to devote their lives directly to such service of the oppressed.

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The task of establishing justice in this world is immense, and our knowledge in so many areas is weak and our wills are so often even weaker. But we have the assurance that Jesus Christ, our Lord and Savior, is King over this world, today and for all time, and that no matter how feeble our efforts and no matter how bleak the outlook in human terms, Christ's purposes will be accomplished. Let us go forth to work for justice with this assurance strengthening us.

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