A Christian Perspective on the Accord

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I Introduction and Brief Description of the Accord

However one defines economics, there is no doubt that economic actions, institutions and policies affect people. Sometimes both parties to an economic transaction gain, but in the case of policy actions there are usually both gainers and losers. Virtually all economic policy actions increase the welfare of at least some people and reduce the welfare of at least some other people, but the ethical issues arising from this are rarely discussed by economists. Although economics was originally thought of as a branch of moral philosophy, the modern fashion is to emphasise positive economics rather than normative analysis. Explicit discussion of ethical implications is rare. Yet as long as one makes explicit one's ethical assumptions, or perhaps simply one's "ethical view of the world", discussions of the issues where economics and ethics intersect can be both interesting and valuable. We hope that this will be the case with the present paper. It is written from an explicitly Christian basis[1], but with the aim of being readable to a wider audience.

Incomes policy is only one of many of these areas in which economics and ethics intersect, but it is one which raises important questions and, in particular, the question of the extent to which it is proper to restrict individual freedom in the name of the social good. Also, the Accord in Australia is a major, many would say the central, part of the Government's macroeconomic policy. Hence, the choice of this particular policy instrument to study.

The use of the term Accord, both in the title and in the paper itself, is somewhat inaccurate in that it is used in the popular sense to refer only to the wages policy aspects of the Accord. The Accord is more than these, but the wages policy aspects can be studied in their own right, and provide more than enough material for one paper.

The Accord is the name given to a document entitled "Statement of Accord by the Australia Labor Party and the Australian Council of Trade Unions Regarding Economic Policy" and to subsequent developments in that agreement. Part of the Accord dealt with wages and working conditions. This section stated that:

> "The principles of wage fixation should be such as to provide wage justice to employees whilst seeking to ensure that wage increases do not give added impetus to inflation or unemployment. The maintenance of real wages is agreed to be a key objective. It is recognised that in a period of economic crises as now applying that will be an objective over time.
>
> "Accordingly, it is agreed:
>
> - A centralised system of wage fixation is desirable for both equity and industrial relations reasons and will be advocated by both parties.
> - To protect the purchasing power of wages and salaries the adoption of a system of full cost of living adjustments will be strongly supported in tripartite consultations and before industrial tribunals.
> - Where overaward payments exist, the Government will support the maintenance of those levels in real terms to ensure consistency between paid rates and amounts paid under minimum rates awards.
> - Wage and salary earners may share in increased national productivity through either increased real incomes or reduced hours of work, or an appropriate combination of both.
> - In formulating claims for improved wages and conditions at the national level, the unions will have regard to government economic policy and will consult with the Government on the amount of such claims.

> Both parties recognise that if the essential conditions of the centralised system are met there shall be no extra claims except where special and extraordinary circumstances exist. The no extra claims provision will apply to both award and overaward payments.
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> Bargaining based upon achieving increased productivity via changes in work practices or procedures as a means of reducing hours at negligible cost increases, will continue to be supported, provided the standards created are not in excess of community or emerging standards, and, if possible, involve the standardisation of hours within the enterprise or industry."

Equally important as these general principles were the practical details which were rather less formally agreed between the Government and the A.C.T.U. The unions agreed that there would be no productivity claims at least for a year and, in fact, they were largely deferred for over three years. The unions also postponed indefinitely any "catch-up" claims for the period of the six months wage freeze and for the previous period in which there had been no national wages cases, and they indicated they would accept, for the purpose of wage indexation, the artificially low consumer price index increase that would result from the introduction of Medi~~bank~~ care in 1984. This last concession was to be balanced by a cut in income tax rates.

The wage principles of the Accord were not set in concrete, and were modified in 1985. The Government agreed not to oppose full indexation in the September 1985 national wage case (despite the substantial decline in the terms of trade and the depreciation in the exchange rate for the Australian dollar). For its part, the A.C.T.U. agreed to accept a substantial discount in the following hearing to allow for this depreciation, and the wage case, held in the first half of 1986, resulted in a discount of 2 per centage points. The Government had agreed with the A.C.T.U. to compensate for any reduction in real wages by a reduction in income tax rates in September 1986, though this was later postponed until

November 1986. The Government had also agreed in 1985 to support a productivity based rise in wages in the form of occupational superannuation schemes to be negotiated between employers and unions, and the national wage case judgement allowed for this as long as employer payments resulting from these negotiations did not exceed 3 per cent of ordinary time earnings. Superannuation agreements were to be phased in starting no earlier than January 1st, 1987.

In the second half of 1986, the Accord was modified again. While the A.C.T.U. continued to argue for full indexation in principle, it agreed to support in practice a two tier wage system, with a flat increase to be paid to all workers plus a further amount, up to some percentage ceiling, to be determined by bargaining between individual unions and employers. The national wage decision early in 1987 gave a $10 a week across the board ~~index~~ increase and a ceiling of 3 per cent for the second tier. It is far too early to know if this decision can be made to stick. Some commentators forecast that strong unions will obtain increases of more than 3 per cent and that the Accord is dead. However, commentators critical of incomes policies have been forecasting that the Accord will disintegrate within six months ever since its birth. So far, it has proved remarkably durable, and as Section III of this paper argues, has delivered substantial wage moderation over the whole of the boom period of the current trade cycle.

II Modern Economics and Ethics

In Christian circles the relation between theological belief and the social order has been on the agenda in various ways and in various places throughout church history, and not least in recent decades. But what of the view from the other side, from within the discipline of economics? A glance at the history of economic thought suggests that once it was not unusual to place economic policy in an ethical context. Adam Smith, for instance, was a professor of moral philosophy, and many commentators have come to recognise that it is highly unscholarly to isolate the economic notions found in The Wealth of Nations from the ethical discussion in The Theory of Moral Sentiments. Smith clearly believed in the importance of a moral order and it could be argued that he did not see the pursuit of profit as a substitute for morality, but as a complement to it.[2]

As the discipline of economics has progressed, however, it could be argued that, broadly speaking, there has been an increasing uneasiness about the treatment of moral constraints in respect of individual economic behaviour. On the one hand, practical thinkers and economic historians have recognised that the market economy depends for its survival on a high ethical code. Max Weber, for instance, in his famous treatise on religion and capitalism, noted that:

> "...it is only by virtue of very definite and highly developed ethical qualities that it has been possible for him (the entrepreneur) to command the absolutely indispensable confidence of his customers and workmen" (1971, p.69)

More recently, Brian Griffiths, a Christian economist and advisor to the Thatcher government, has argued that Christian values must be reclaimed if western economies are to continue in prosperity.[3]

On the other hand, mainstream economists have tended towards a framework of ethics based on utilitarianism. Bentham and John Stuart Mill are prominent figures in the history of this doctrine and it could be argued that their philosophical framework found its

establishment, as far as the economics profession was concerned, around the time of Alfred Marshall. There is not space here to prove the point, but in effect, modern economic thought is probably more dependent on the perspectives of the Enlightenment than on those of the Reformation. From a scientific point of view, this has been a logical and understandable outcome of the desire for objectivity in the analysis of human behaviour.

The result, nevertheless, as Joan Robinson (1962, p.19) was able to comment, is that "it does seem that religion has never had much to do with our own economic ideology". Indeed to the modern secular mind there seems to be very little overlap between economics and theology – a complete reversal of the position adopted by Smith. Only a few twentieth century economists appear to have continued, on any extensive scale, to discuss religious and economic thought together; Kenneth Boulding would perhaps be the most prominent example.[4] A practical upshot is that the ethical presuppositions in modern economic policy analysis are embedded rather than explicit, and this makes their identification all the more difficult.[5]

All this, of course, begs the question of whether there is in fact any fundamental inconsistency between modern economic reasoning and practice on the one hand, and Christian belief on the other. It is an on-going debate even amongst Christian economists whether orthodox economics is, or is not, compatible with a Christian world view. Moderately critical Christian economists such as Douglas Vickers (1983) argue a priori that since man in the Bible's terms is morally fallen (that is sinful) by nature then it follows that his economic doctrines will be imperfect and hence open to reform. In a similar but stronger vein, others (including George Monsma, 1980, and Phillip Wogaman, 1980) are more critical of the utilitarian basis of orthodox economics and suggest that it is morally bankrupt. And yet many Christians, led now by Michael Novak (1982) of the American Enterprise Institute, support modern capitalism, principally on the grounds that it is favourable to individual freedom. Allied loosely in this camp are a range of conservative Christian positions, advocating on supposed Biblical grounds such policies as a return to the gold standard (Gary North, 1973) or a minimal role for the state (Geoffrey Brennan, 1983). Separate again, but increasingly vocal, is what might be called the 'evangelical' school, which principally argues against the "economising" of life in the face of more fundamental considerations flowing from the Christian gospel.

A useful dichotomy, which makes explicit a thread running through the Christian economic debate, is Robbins' identification of the tension between "freedom" and "order". Robbins (1963) pointed out that although freedom and order are usually conceived of as incompatible opposites, with the problem being to find the optimal boundary where the one stops and the other begins, in fact they may be viewed as complementary:[3]

> "They are not each ultimately desirable states to be combined in a suitable ratio in order to achieve some sort of maximum. Rather they are related to each other as ends and means." (p.28)

Thus, order may serve as the means of securing freedom. Similarly, freedom is effectively compromised when it becomes a licence to disrupt the principles of order necessary if human affairs are to be conducted effectively.

Both "freedom" and "order" are given value in Christian thought. On the one hand the bible emphasises the importance of freewill and allowing individuals to make, and take, moral responsibility for decisions and actions. It also emphasises an individual's (economic) responsibility for themselves and their families so that, in this context too, freedom is to be valued. Added to that ethical notion is the technical economic theorem which says that given certain assumptions, aggregate wealth is maximised, at least in principle, in an atomistic market economy. But both the (Christian) old testament, and the church fathers laid down quite detailed precepts about the ordering of economic transactions and society. The Christian economist may well suspect that God intends an order for human affairs which is quite different to modern concepts of individualistic self-interest. And technically speaking, (s)he knows that economic policy-making demands an order and realism perhaps far removed from the pure textbook model of competitive markets.

It would seem in the light of the above, that we must at least seriously address ourselves to the possibility of substantial differences between the Christian economist and other economists on the "freedom and order" question. For one thing, the Christian has some idea of the principles for human relationships which God has ordained as right and good. The resulting picture of order and freedom is likely to be different at various points, and perhaps pervasively, from the secular utilitarian understanding. It may lead the Christian economist to precisely the same policy conclusions as other economists, but the underlying reasons will be distinctive. It may, on the other hand, lead to quite different policy conclusions, and indeed, to an alternative conception of economic "freedom" and economic "order".

In all this, the Christian economist probably should not accept the sharp division between theological belief and daily life which is commonly held. Indeed, the stuff of true religion in the Bible's perspective is precisely our concrete behaviour and relationships in the everyday world. Further, the Christian scholar is constrained to seek a continuity between Biblical revelation and professional endeavour: we should strive for a consistency between the view of man's nature in the Bible and the assumptions made about the human predicament in our economic thought.[6] Because there is a distinctiveness about the Christian world view, we should be able to comment constructively on major economic policies such as the Accord. This is not to say that there is such a thing as a unique "Christian" politic or economy. That would be to turn the Bible into something it is not: an economics textbook, and to fail to recognize that many different ideological positions and institutional arrangements are compatible with the Christian world-view. Nevertheless, a Christian economist can put a biblical perspective on particular issues. Economic policies such as the Accord always involve assumptions about, and have consequencies for, human relationships so that ethical evaluation is virtually unavoidable.

III An Economic Assessment of the Accord

Part of the ethical evaluation of the Accord depends on an economic assessment. If it fails to achieve any economic benefits at all, the ethical question is easier. However, most economists agree that the Accord has both benefits and costs. The technical question

is whether the former outweigh the latter. The immediate aim of the Accord, as an instrument of economic policy, is wage restraint, both in nominal and real terms. Originally the emphasis was on nominal wage restraint, to reduce the rate of inflation; latterly, it has shifted to real wage restraint with emphasis on the need to cut real wages. Before one examines the extent to which the Accord has achieved these aims of nominal and real wage restraint, it is necessary to set out the benefits to the economy which would follow assuming the Accord is successful. Otherwise one cannot assess the value of a greater or lesser degree of success.

Given that reducing inflation is a goal of economic policy, there is widespread agreement that nominal wage restraint will assist greatly in achieving this goal. Moderation in award wage rates in the previous "indexation" period from 1975-76 to 1980-81 reduced the rate of inflation by nearly 4 percentage points, whereas large increases in award wages in the previous two years 1973-74 and 1974-75 raised the rate of inflation by 6 percentage points.[7] Since the dollar has floated, exchange rate variation has been an equally important cause of changes in the inflation rate, but equally, with a floating exchange rate, the long run effects of wage rises on inflation are greater. Nominal wage restraint is certainly a potent anti-inflationary weapon.[8]

It is also indirectly a valuable weapon against unemployment. Given the importance that governments place on reducing the rate of inflation, if this is not achieved through wages policy, governments will tighten monetary and fiscal policy in order to reduce inflation. This will increase unemployment. Thus, if the accord has substantially reduced the rate of growth of nominal wages this is an important benefit.

Whether it is necessary to reduce not only nominal wages but also real wages is more controversial. Three reasons have been put forward why it is desirable to reduce real wages. The first is the neo-classical argument that the high levels of unemployment are due to real wage rates that are above the equilibrium level. Nevile (1983, b) argues that there is little empirical evidence to support this proposition up until 1982. Since then the cost of capital, relative to wages, has risen sharply, both because of high interest rates and because much capital equipment is imported and has become more expensive with the devaluations of the Australian dollar. There may be some areas of the Australian economy where the neo-classical reason for reducing real wages is important, but the neo-classical case is not always convincing.

A second reason why real wages may be too high is the neo-Keynesian argument that because of the level of real wages profits are too low and hence investment is languishing. If real wages rise faster than productivity, the share of profits must fall. In a Keynesian world, and also in the real world, the level of profits is commonly the major factor determining the level of private investment (Nevile, 1980). If real profits fall, investment will fall and, as a result, output and employment will fall. In the short run, the fall in private investment could perhaps be offset by increased government expenditure. But if the trends go on for long, with private investment continuously falling or even staying constant at a low level, productivity will almost certainly fall, reducing profits still

further (unless real wages fall) and starting a vicious circle. Profits cetainly fell after 1973–74, mainly no doubt due to the recession caused by world-wide factors, but it is plausible to believe that the rapid rise in real wages in Australia had an additional effect, reducing investment and, hence, output and employment in the following years. However, the strength of this argument has weakened in recent years, as the share of profits in income has made a remarkable recovery, due both to the Accord and to rapid economic growth. However, this does not weaken the view that it is undesirable to return to the trend in real wages that existed in the decade before the Accord.

A third reason why it may be desirable to reduce real wages is to improve the balance of payments. This year writers in the media have made much of the point that a cut in real wages is necessary if wage earners are to share the cut in Australia's real income caused by the depreciation of the Australian dollar. This mistakes symptoms for causes. Exchange rate depreciation does not normally cause a cut in a country's real income unless it worsens the terms of trade. This has not happened in the case of Australia. The fall in the terms of trade preceded the depreciation and was caused by other factors exogenous to the Australian economy. However, a decline in real wages is necessary if devaluation is to have the desired effect in improving the balance of trade. Because of the exogenously caused fall in the terms of trade, it is necessary to take measures to reduce imports and encourage exports. Devaluation can do this through changing relative prices but such changes will be shortlived if wages are indexed to the increases in prices caused by the devaluation. If wages are so indexed we are likely to fall into a devaluation-inflation-devaluation vicious circle. Even in the absence of devaluation, real wage restraint will improve the balance of trade (for a given level of investment). The balance of payments argument is an overwhelming argument for real wage restraint in Australia's current economic circumstances.

How successful, then, has the Accord been in producing nominal and real wage restraint? It is impossible to give a completely categorical answer, since one is comparing what has actually happened with a counter-factual situation in which the Accord did not exist. Nevertheless, it is possible to make a convincing case that the Accord has produced substantial nominal and real wage restraint.

One part of this case is a comparison of what happened in the boom just ended, with what happened in the previous boom in which the Accord did not exist.[9] This is done in Table 1 where statistics for wage and price rises are presented for the appropriate financial years. It would be possible to date the booms more exactly if the periods were measured from the quarter of the upturn to the quarter of the downturn, but this is liable to give misleading results because of variations in the timing of award wage decisions.

Table 1
Wages and Prices in Australia 1979-80 to 1985-86

	Average Annual Percentage Growth Rate		
	Adult Award Wages	Average Weekly Earnings	C.P.I.
1979-80 to 1981-82	11	16	10
1982-83 to 1985-86	5	6	6

Source: Australian Bureau of Statistics, Labour Statistics and Consumer Price Index

Both real and nominal wages rose far less rapidly in the most recent boom when the Accord was operating than in the previous one, suggesting that the Accord achieved considerable success with respect to both of its goals, although it has to be conceded that the world inflation environment was worse during the first period.

The case for the Accord is strengthened by the fact that the 1983 to 1985 boom was much more vigorous than the previous boom. It is weakened by the fact that this boom came after a severe recession which, it could be argued, had a moderating effect on wages for one or two years after it ceased. There have been three major downswings in Australia's post World War Two history. Table 2 examines the behaviour of wages and prices in each of the booms following these recessions. The least vigorous of these booms was that in the mid-fifties and the most vigorous the one just ended.

Table 2
Wages and Price Inflation over Three Booms

	Annual Average Percentage Growth Rate	
	C.P.I.	Average Weekly Earnings
1953-55	1.30	5.20
1963-65	2.35	6.45
1984-85	5.35	5.35

Source: Chapman (1986)

Compared to the booms in the mid-fifties and early sixties the most recent boom does not rank well on nominal wage restraint. However, it is notable that it is the only boom in which the role of increase of wages (and prices) declined as the boom proceeded (despite the depreciation of the Australian dollar). It is necessary to consider what was happening to price and wage inflation in the trough before the boom started as well as looking at the absolute figures over the course of the boom. In the early sixties the boom started from a situation in which there was virtually no inflation and nominal average weekly earnings were increasing at a rate well below the trend rate of growth of productivity. Both prices and wages increased more and more rapidly throughout the boom. The situation in the mid-fifties is much more curious. Inflation as measured by the Consumer Price Index peaked at an anual rate of nearly 30 per cent in the June quarter of 1951. Then, despite wage indexation, it fell to zero in the December quarter of 1954 and the following three quarters. After the abandonment of wage indexation it started rising again and rose steadily throughout 1955 till it peaked at an annual rate of over 12 per cent in the December quarter of 1956. Nevertheless, on the side of nominal wages, the recent boom with the Accord operating is unique in that it was possible not only to prevent wage rates and inflation from rising but to slow them down as the boom proceeded.

As far as real wages are concerned, the Accord-moderated-boom scores much better than the previous two. In each of these, real wages increased by between 2 and 3 per cent a year. In the most recent boom they were virtually constant throughout. Thus, the Accord appears to have been remarkably successful in both reducing the rate of inflation and moderating real wage growth. This case for the Accord is strengthened not weakened by the fact that it was preceded by a wage freeze. The Accord achieved the remarkable feat of largely preventing any catch-up.

What are the costs to set against this success? The costs usually attributed to the Accord are the rigidities imposed on the labour market and, in particular, the lack of flexibility in relative wages.[10] Lack of flexibility of relative wage rates is not very important in the short run, but could be serious in the long run. While it is impossible to quantify the cost to output from Accord imposed labour market rigidity two points can be made. First, labour markets dominated by collective bargaining, as in the United Kingdom, are not noticably more flexible than the very centralized Australian system.[11] Secondly, the Accord may prove to be more flexible in the longer run than its critics allow. It is already moving in this direction, particularly in the differential treatment of superannuation claims. While the evidence is not yet all in, it is not unreasonable to believe that the extra rigidities imposed on the Australian labour market by the Accord are not very great, that is not so great that their negative effects on output outweigh the positive effects on output of nominal and real wage restraint. It must be a matter of judgement, but our judgement is that the economic benefits of the Accord through wage restraint outweigh its economic costs.

IV An Ethical Assessment of the Accord

The way in which the economy might be viewed for purposes of ethical evaluation is as follows. Consider a corporate economy with three major players - the state, labour and capital - in which the performance of the economy is not independent of their respective claims on income and the manner in which those claims are resolved. The economy is characterised by conflict between labour and capital, a conflict which has economic costs. The state not only has the opportunity to play an "umpire" role, but also takes positive steps to alter the bargaining power (perhaps indirectly through macro-policy) to push the outcome towards the result it considers desirable. Clearly, this conception of the macroeconomy fits better with a game-theory approach than with an atomistic-markets approach to the determination of economic aggregates.

Several strands of Christian ethical thinking are relevant to this corporate-style economy which is characterised by a debilitating conflict. On the "order" side of Robbins' dichotomy, many Christians would want to emphasise the superiority of co-operating over conflict, and the ability of the Accord to contribute to wealth creation. On the other side, some Christians argue that the high value placed on freedom in Christian theology is an argument against the increased role of the state and the trend to corporatism inherent in the Accord. In our view, the over-riding principle is the emphasis in the bible on the necessity for justice in community economic relationships. The biblical concept of justice is a complex one but it includes not only the idea of equal rights for all but also benevolence to the needy (Richardson, 1950) so that it is unjust for the weak to be penalized for the benefit of the powerful. The Accord is more consistent with this concept of justice than the alternative method of controlling inflation, through restrictive aggregate demand policy.

A Christian view of human society recognises the reality of conflict between parties, where the term 'conflict' is meant in a different sense to the usual notion of competition. The latter is taken to involve parties who are unable to influence key market parameters by themselves and whose competitive behaviour benefits the community at large (e.g. consumers get a better product). By contrast, conflict is taken to involve monopolistic or oligopolistic

players whose powerful rivalry is damaging to the general good. The first Christian argument in favour of the Accord is that, in the absence of competition, co-operation is ethically preferred to conflict.

The bible expects conflict as an inevitable outcome of the fact that humanity is sinful: that is, separated from the Creator and self-centred. For this reason it is important for Christians to address conflict rather than assume it away in the name of an ideal or prototype model of markets. Moreover, as will be spelt out later, the bible places a great value on justice which is seen as essential to correct economic motivations and relationships. The outcome of a co-operative Accord might be thought to be more just than the results of oligopolistic struggles, though this is a matter to be settled empirically. Nevertheless, economics is for man and not vice versa. People matter more than things. In other words, economics is seen primarily as about correct relationships not just the techniques of maximising material wealth, and the bible warns against focussing on economic success at the expense of our obligations to God, to family, to trading partners and to the wider community. Griffiths (1982) points out that in economic relationships it is not good for one party to dominate the transaction. Instead, it should be characterised by mutual servanthood. Fairness and the perception of fairness are both important, with the onus being on each individual to ensure that the interests of the other party are upheld. This means that trust is an integral component of all economic relationships,[12] and [redacted] promises play a central role. The role of promise-making and of a relational perspective, derive from God's character. To quote Gladwin (1982)

> We might think of God as the one who makes and keeps promises. This encourages us not only to make promises which we genuinely intend to keep but also to work hard to honour our word. Economic life is littered with the promises of politicians and others which have not been honoured.

Similarly, Christopher Wright (1983) points out that the bible sees man as covenantal; that is, made for living in relationships that involve a host of vertical and horizontal obligations.

The relational context of economic life, and the inevitability of conflict within those relationships, leads us to a number of implications. It should be clear that in a fallen world there is no single system or social structure which is "Christian" in a generic sense. This is not even on the biblical agenda. Rather, it is the manner in which people serve each other in the context of their historical situation that is important. Correspondingly, economic problems are not seen as strictly technical problems admitting purely technical solutions.[13] An implication for policy is that mechanisms for the resolution of conflict have the potential to play a positive role in economic affairs. This is, in fact, consistent with scientific observation. For example, McCallum (1983) argues that a general atmosphere of consensus is conducive to rapid real wage adjustments in the case of supply shocks. In as much as the Accord promotes relationships of mutual co-operation rather than confrontation, this is of value from a Christian ethical standpoint. It comes close to what Stott (1984) writing on the Christian view of industrial relations calls the principle of mutuality - mutual respect and service, which contrasts sharply with contemporary reality:

> "What prevails is industrial strife, in which each side suspects the other of self-seeking, and so indulges in it too. Each seeks their own interest rather than the other's." (pp.174-175)

Some may feel uncomfortable with this line of reasoning from an economic point of view. It could, for example, be argued that under the assumption of rational expectations, neither unions nor business would start with bids which they know will harm the economy. In reply to this, the Christian needs to emphasise the importance of historical realism and the simple empirical observation that unions and business do indeed behave in the latter manner.

Alternatively, one could make a political objection, that in fact the Accord does not fully constitute a relationship of broad-based agreement and co-operation, since it involves only two of the three major players and excludes capital. Where is the mechanism for trust and co-operation between labour and capital? In principle, it is an indirect mechanism, with the state acting as middleman. If we broaden the context of our discussion to incorporate the National Economic Summit of 1983, together with the associated Communique, then it could be argued that the present policy "consensus" at least in principle, has been a tripartite one. Against this, nevertheless, we need to concede that business has been less than a full participant since it is not formally a party to the Accord (and this may contravene the Christian ideal that no one party should dominate). However, when all is said and done, the facts probably favour the judgement that business has so far been broadly sympathetic to the Accord.

A more serious qualification to the argument of this section is not economic or political but theological. The Christian doctrine of man tells us not only that confrontation is to be expected but also that the real solution goes much deeper than a civil agreement. The mistaken assumption of the philosophers Locke and Rousseau was that man is morally perfectable through external means such as the famous 'social contract'. The bible does not support that notion, and instead tells us that the scope for moderating conflict through consensus is limited. The symptoms might be mitigated for a time but the disease will remain because human nature is not basically altruistic, although human behaviour sometimes exhibits generous characteristics. This means that consensus is fragile, and valuable while it lasts. A breakdown of the Accord at some future stage should not necessarily surprise us. At the same time, this does not make the Accord inferior to collective bargaining, since on the Christian doctrine of man, neither the market nor a social contract are capable of entirely eradicating conflict and injustice.

What policy implications stem from the above? There is a limited extent to which social agreement can improve behaviour, and thus a social contract has potential value. But there are severe constraints on attempts to remove conflict, and the scope for co-operation is limited. The Accord - and indeed the market - are inherently brittle and each should be valued highly if they are conferring co-operative benefits.

However, in the final analysis, it is what the bible calls "sin" that is the deharmonising agent that corrupts economic relationships and the reconciliation is only to be found in Jesus Christ. Thus, the Christian needs to maintain a healthy scepticism in the face of claims for the Accord which imply an overly optimistic view of human nature.

A second ethical value we see in the Accord is that it increases material wellbeing. If, as argued in the previous section,

the Accord has enabled the economy to be run at a higher level of economic activity than would have occurred without it, not only does the lower level of unemployment have ethical value from the point of view of the Christian, but so does the high level of wealth creation. The Christian argument in favour of wealth creation usually runs like this: not only is there a positive mandate for man to develop his material environment (Genesis 1:28-30) via economic progress, but in fact, it is vital if the problems of the needy are to be properly tackled. It follows that the Christian should support policies which promote economic prosperity, for this is an appropriate expression of the 'dominion mandate'. The other side of the coin is that church pronouncements which treat matters of wealth distribution independently of wealth creation are to be seriously questioned, for they misunderstand the process of economic progress, especially in the context of a morally fallen world.

Using the principle of positive wealth creation, there would seem to be a strong case for supporting the Accord while ever it "delivers the goods". While this might seem a bit too pragmatic for Christian ethics, it needs to be placed against the background of what went before - the poor economic performance of 1970s - and the collective bargaining tried in the early 1980s. The Accord, if it provides a mechanism whereby unemployment can be reduced without causing higher inflation, is in line with the Christian committment to economic prosperity.

On the face of it, this principle may not seem very distinctive. But there is an important element in the wealth creation principle which Christians must take account of but others may neglect. This is that the main purpose of wealth creation is to provide for the needy. The great ethical value of the Accord lies in its potential as a framework for helping the poor and reducing unemployment.[14] In the bible, it could be argued, there is a desire to see that "there should be no poor among you" (Deut. 15:4), and in the Christian's priorities each family is therefore to have a permanent and significant stake in economic life. This is not, and this is important, to suggest equality, but is speaking against desititution and poverty co-existing with wealth, a much less restrictive goal.

A very important point about the Accord with respect to unemployment is not just that it reduces unemployment, but that the alternative method of combatting inflation, tight fiscal and monetary policy, works through deliberately increasing unemployment. The bible is very scathing about those who secure their own economic well being at the expense of others. The Accord has the great negative virtue of not operating in this way. We will return to this point in our conclusion. For the moment let us continue with the positive contribution of the Accord in reducing unemployment.

Christian ethics give the goal of reducing unemployment high priority in economic policy. In the biblical world view, work is an integral part of God's intention for balanced living, and much has been written outlining the Christian goal of work for all.[15] The human and economic costs of unemployment have also been well documented, and the point established that unemployment and poverty go hand-in-hand (Stromback, 1983). Labour, ethically speaking, is not like the other factors of production because of its "humanity", and because work plays an important role in self-fulfillment (Ecclesiastes 2:24)

since it is a key way in which men and women are to serve one another and help the needy (Ephesians 5:28). Thus, if the Accord increases output and reduces unemployment, then these are positive values in the eyes of Christians. Whether the improved economic performance comes about because the Accord allows easier monetary and fiscal policy,[16] or by improving the operation of markets,[17] is perhaps a subsidiary question that need not be considered here.

A possible objection, of course, is the "anti-growth" argument put by some Christians but there is not space to consider that here.[18] A more serious question mark concerns whether or not the economic benefits of the Accord are, in fact, being felt by the needy. This is an important ethical test of our economic policies, as the (Canadian) Episcopal Commission for Social Affairs (1983) urged

> "In developing strategies for economic recovery, we firmly believe that first priority must be given to the real victims of the current recession, namely - the unemployed, the working poor, the welfare poor"

Peetz (1985) addresses this point in detail, and concludes that on balance the Accord has assisted low income earners, principally by providing employment and improving the progressivity of the combined taxation and social welfare structure.

Some Christians may oppose the Accord because of the increased role of the state and the emphasis on corporatism. Christian theology places a high value on personal responsibility and some Christians equate this with a libertarian view of personal freedom. The doctrine of creation includes the thesis that people are responsible to God for their own behaviour. Although we are also social beings created for relationships, we have personal moral responsibility subject to God's sovereignty. Further, any moral response on our part to our obligations in life is meant to be on a genuinely willing basis. A coerced obedience or even a barren sense of 'duty' is not what is pleasing to God (Amos 5: 21-22). In economic life, this could seem to warn us against imposing "moral behaviour" on others.

At the same time, the bible clearly gives a mandate to the civil authorities whose job it is to restrain selfishness and promote justice. In Romans 13 we read:

> "Let every person be subject to the civil authorities ... For rulers are not a terror to good conduct, but to bad. ... Then do what is good, and you will receive his (the ruler's) approval, for he is God's servant for your good."

It is evident that the authorities might expect claims from self-interest, but their proper role, in principle, is to mediate conflict and judge rightly promoting peace and justice.

A Christian world view, therefore, needs to take care with its concept of "freedom".[19] It is quite a different notion to the rationalist ones of laissez faire or anarchy. It is positive (freedom to serve within the bounds of God's sovereignty) rather than negative (absence of any restrictions). An authoritative (yet circumscribed) role for the civil government is quite consistent with the Christian pattern of freedom in social affairs. Of course this still leaves the question of where to draw the boundaries on state responsibility and authority.

While much more could be said on this, for our purposes the question is does the Accord so excessively restrict individual freedom that it should be condemned on Christian ethical grounds? This is not the technical economic question, whether the Accord so hampers the

resource allocation functions of the market that it reduces output, but the ethical one about reducing freedom. The Accord certainly does reduce the ability of individual employers to arrange wages with their employees, though so do many other features of the Australian labour market. However, Robbins' principle of freedom and order complementing each other is relevant here. Freedom for decentralized collective bargaining is not to be valued for its own sake if it leads to the undermining of the economic order with reduced profits and increased unemployment. While the Accord certainly does restrict personal freedom it does so no more than many aspects of the complex institutions and rules necessary if a modern economy is to function. While the Accord may not be a first best solution, in our view the balance of the argument falls on the side of the Accord.

Some Christians may wish to carry the argument further and argue that the Accord is contrary to Christian ethics because the trend to corporatism that it enhances is itself unchristian. As we have already emphasised, there is no one Christian social order. Corporatism may be undemocratic, though that could be argued about, but it certainly is not unchristian. Corporatist Sweden is no less Christian than the individualistic United States, just as undemocratic Tudor England was no less Christian than modern England under Mrs. Thatcher.

V Conclusion

The greatest virtue of the Accord from the point of view of Christian ethics is that it seeks to avoid the stark injustice of restraining inflation - for the benefit of the community at large - by the means of increasing unemployment, that is by depriving men and women of the ability to earn their livelihood. As an anonymous referee for a paper about macroeconomic policy stated, the policies of the Treasury before the Accord, which combated inflation through tight monetary and fiscal policy,

> "contain inflation over the bodies of half a million unemployed, and the bodies are the wrong bodies anyway. The young go to the slaughter while their elders observe the slaughter from safe entrenched positions"[20]

The bible places a very high value on avoiding injustice and taking actions to promote justice. To quote but one of many passages

> "Is not this what I require of you as a fast;
> To loose the fetters of injustice,
> To untie the knots of the yoke,
> To snap every yoke
> And set free those who have been crushed?" (Isaiah 58, 6)

The Accord is an attempt to break the yoke of unemployment imposed by combatting inflation through tight monetary and fiscal policy. We have argued that on balance the Accord also increases output. Even if the balance was the other way, snapping the yoke of unemployment is worth some cost in output foregone. However, all this is not to say either that the Accord is a perfect instrument of policy, or that it will necessarily continue to be successful. We have indicated both that it is a second best solution and that, in this imperfect world, it may disintegrate under the pressures of narrow, and often short-sighted, self interest. Nor should we be interpreted as endorsing all the details of the current version of the Accord, but only an Accord-type solution.

Footnotes

1. Note it is an explicit Christian basis, not the only Christian position. Section II makes clear that their are widely differing Christian views on economic issues and no one economic ideology can validly claim to have the imprimatur of the Christian faith.

2. For a discussion of this point see, for example, Joan Robinson (1979) Vol. 5, Ch. 3.

3. B. Griffiths (1982) see also Irving Kristol (1978) especially chapters 9-11.

4. See, for example, K. Boulding, 1968, 1970, and 1971.

5. Few economists comment on the basic Western assumptions about such things as "progress" or "social obligation". See J. Mehta (1962).

6. In what is so far a draft Master's thesis for the University of New South Wales in discussing "Economic Science and Christian Social Ethics in Britain 1919-1939" M. Anderson makes a distinction between reform in a fallen world and the more fundamental gospel notion of redemption, and points out that while the former can never be a substitute for the latter, at the same time, the former is not irrelevant for Christians.

7. See Hewson and Nevile (1985) p.309.

8. High levels of unemployment were also a factor in reducing the level of inflation after 1974-75, but not a factor that Christian economists can recommend as a deliberate policy weapon.

9. A somewhat similar form of incomes policy involving partial wage indexation was abandoned in August, 1981.

10. Some commentators also imply that the Accord has increased the rate of growth of nominal and real wages, but there is no evidence for this claim. On the contrary, as we have already argued, the evidence points in the opposite direction. In particular, the real wage restraint over the period 1983 to 1985 is unprecedented during a boom in Australia.

11. See Mulvey (1983) and also Barry Hughes address to the 1986 Winter School (forthcoming in Economic Papers).

12. For a discussion of how to introduce "trust" into economic analysis see Coleman (1984).

13. See Richardson (1983) and Boulding (1971).

14. For a discussion of the effects of the Accord on the poor see Peetz (1985).

15. See for example Genesis 2:15, Psalms 104:23, Exodus 34:21. For discussion of this point see Storkey (1979, Ch. 14), Catherwood (1964) and John Paul II (1981).

16. For further discussion see Gruen (1983) and Hancock (1980).

17. This point of view is put in Annable (1984, pp.59-61).

18. For discussion see Hohnsbergen (1982).

19. A detailed discussion is in Hawtrey (1985).

20. See Nevile (1983,a) note 22.

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