

JOURNAL OF THE ASSOCIATION OF CHRISTIAN ECONOMISTS

No. 21, June 1996

From the Editor:

This edition of the Journal contains three papers on the theme of unemployment and poverty. The first is the text of Andrew Britton's paper given at last year's Study Group meeting on 'Full Employment as a Policy Aim'. The second is the text of a report on a Christian response to unemployment written by Esmond Birnie in response to a commission from the Board of Social Witness of the Presbyterian Church in Ireland. The third paper concerns the use of concepts of human fulfilment in the design of policy alleviation programs, with particular reference to the work of the World Bank, by Sabina Alkire. This paper was also first presented as last year's Study Group meeting.

The next ACE Study Group will take place on Friday 4th and Saturday 5th July 1996, once again in the pleasant surroundings of Jesus College, Oxford. Please note, again, that the meeting has moved from Monday/Tuesday to Friday/Saturday this year. Spaces are limited so if you would like to attend, please contact Donald Hay as soon as possible at Jesus College, Oxford.

As always I am keen to receive material for the journal: papers, responses to papers and book reviews.

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Contents

Andrew Britton: Full Employment as A Policy Aim	1
Esmond Birnie: Unemployment: A Christian Response	9
Sabina Alkire: Conceptions of Human Fulfillment in Poverty Reduction	33

FULL EMPLOYMENT AS A POLICY AIM

**Andrew Britton, Executive Secretary of the Churches' Enquiry into Unemployment
and the Future of Work**

I would like to begin with a rather long quotation from 'Christianity and Social Order' by Archbishop William Temple, published in 1942.

‘The worst evil of such unemployment, whether due to cyclical or more permanent conditions, is its creating in the unemployed a sense that they have fallen out of the common life. However much their physical needs may be supplied (and before the war this supply was in many cases inadequate) the gravest part of their trouble remains; they are not wanted! This is the thing that has the power to corrupt the soul of any man who is not already well advanced in saintliness. Because the man has no opportunity of service, he is turned upon himself and becomes, according to his temperament, a contented loafer or an embittered self-seeker. It has not been sufficiently appreciated that this moral isolation is the heaviest burden and most corrosive poison associated with unemployment, not bodily hunger but social futility... Nothing will touch the real need except to enable the man to do something which is needed by the community. For it is part of the principle of personality that we should live for one another.’

These sentiments can be found expressed again and again in the writings of that period. I will add only a few sentences from William Beveridge's 'Full Employment in a Free Society' because that book had such an important effect on public awareness and the design of post-war economic policy. He wrote 'Idleness is not the same as want, but a separate evil, which men do not escape by having an income. They must also have the chance of rendering useful service, and of feeling that they are doing so.'

In this talk I shall try to address the issues raised by those quotations for economic policy today. This involves consideration of the relationship between Christian social ethics and contemporary economic ideas, and the more practical question of how the ideas that inspired Temple and Beveridge could be translated into effective policy action now.

1. Unemployment in economic theory and social ethics

Economics does not have much to say about the evil of idleness; on the contrary the theory of labour supply assumes that leisure is a source of utility which the individual will

surrender only in exchange for a wage. To find a social science more in sympathy with Temple and Beveridge I turn to social psychology.

Patterns of work behaviour are, it seems, innate to the human species and many others. According to 'The Social Psychology of Work', a standard text by Michael Argyle, 'Forms of work and social behaviour similar to those of humans are found in higher mammals and birds. Work amongst apes and monkeys is in fact remarkably similar to work in the most primitive human societies, suggesting that there may be innate features in human work-patterns also'. This suggests that work and the social relationships it involves, are part of human nature, on a par with other kinds of innate social behaviour like language or morality or family life. The form which work takes, like moral codes and patterns of family life, vary from one society to another but work of some kind is almost universal.

It is not so surprising therefore if those who are deprived of the opportunity to work suffer as a result. Michael Argyle quotes numerous and recent studies to show how unemployment causes apathy, lower self-esteem, poorer physical health and mental illness, including depression, alcoholism and suicide. One of these studies by P.B. Warr identifies what he calls the 'vitamins' provided by a job, nutrients that are necessary to health at least in small doses. These include external goals, variety, spending money, interpersonal contact and a social position.

Christian social teaching, as the quotation from Temple implies, sees work as a service as well as a means of earning a livelihood. St Paul said that even slaves should view their work as service to God. The medieval monastic orders saw physical labour as a kind of prayer. According to the rule of St Benedict 'idleness is the enemy of the soul'. The traditional work ethic in this country is commonly described as Protestant, but it is surely common to all Christian denominations, and indeed it is by no means confined to Christians of any kind. Work is a social activity, part of the code of reciprocal obligations which govern most of our lives.

In doing economics, by contrast, we start with the isolated individual who maximises his or her own utility, without reference to the outside world except in so far as it constrains behaviour. To get to the root of methodological individualism I turn to a recent treatise called 'Foundation of Social Theory' by James S Coleman, Professor of Sociology at the University of Chicago. As one might expect of a scholar from that university, he regards individualism as the most fruitful basis for social theory, but he recognises quite unambiguously that it is a fiction. He writes:

'There is a broadly perpetrated fiction in modern society, which is compatible with the development of the political philosophy of natural rights, with classical and neoclassical economic theory, and many of the intellectual developments (and the social change which generated them) that have occurred since the seventeenth century. This fiction is that society consists of

a set of independent individuals, each of whom acts to achieve goals that are independently arrived at, and that the functioning of the social system consists of the combination of these actions of independent individuals ... the philosophical and economic arguments of the seventeenth and eighteenth centuries were followed by extensive social changes in the direction of individualism and these changes have not abated. Despite these changes the fiction is just that - for individuals do not act independently, goals are not independently arrived at, and interests are not wholly selfish'.

He goes on to develop an interesting theory of 'social capital', that is the network of established relationships of trust and mutual commitment which contribute to the efficiency of the economy and the well-being of individuals. This is an important advance on a theory based on narrowly-defined self-interest, but it may not go far enough. Christian social ethics recognise that we are 'members one of another', that a community takes on a moral existence in its own right, doing good or evil. In this context one can see unemployment as a sickness of the body corporate, as well as a cause of individual alienation. In the Old Testament, Israel is the chosen nation and in the New Testament the church is the body of Christ. This takes us a very long way from methodological individualism. The community is as real as the individuals of whom it is composed. This, rather than any calculation of individual utility, is what provoked Temple to write about the 'moral isolation' associated with unemployment and the 'principle of personality that we should live for one another'.

2. Full Employment Today?

In a recent NIESR Discussion Paper with the title 'Full Employment: the State, the Market and the Community' I discuss how the post-war aim of full employment might be translated into terms appropriate to the present day. We can no longer take the supply of labour as given. Beveridge defined full employment as a state in which there were 'more vacant jobs than unemployed men', what he called a seller's market for labour. There should be 'jobs at fair wages of such a kind, and so located, that the unemployed men can reasonably be expected to take them'.

Several problems must strike us immediately with this definition. Firstly, there are all these references to 'men'. It was assumed that as a rule all men had both a right and a duty to work full-time. The rights and duties of women were not discussed. We cannot give a complete account of full employment unless we make some judgement about the proper division of labour within the household. Secondly, there is the reference to 'fair wages', to which one might add 'fair conditions of employment'. Beveridge wanted everyone to have a good job, somehow defined. He did not face the dilemma which we must now recognise that one way of expanding the demand for labour is to create jobs which are low-paid, temporary and require low levels of skill. Thirdly, there is the idea of a seller's market, which is not a state of equilibrium. Beveridge was clearly not talking about the natural rate of unemployment. He recognised that his objective would require wage restraint to make it sustainable. A book

of essays was published by the Oxford University Institute of Statistics in 1944, edited by Frank Burchardt with the title 'Economics of Full Employment'. They advocated not just wage control, but controls on trade and capital as well. Subsequent history suggests that they were right: full employment was maintained in the post-war mixed economy, but progressive liberalisation was accompanied by progressively higher levels of unemployment.

Modern economic theory offers (at least) two models of sustained high levels of unemployment in an advanced market economy. In a competitive model of the labour market unemployment remains high because the highest level of real wages which a large number of workers could earn is close to or below the real level of unemployment benefit to which they are entitled. In models of imperfect competition the situation is a little more complicated and some, at least, of the unemployment may be involuntary. This is to say, some of the unemployed would be happy to accept jobs at or below the going rate but they are getting no job offers. A variety of distinct but related models of this kind have been developed in the last twenty years or so by Richard Layard and Steven Nickell, by Lindbeck and Snower, by Shapiro and Stiglitz and by Edmund Phelps, whose presentation is perhaps the most rigorous and also the most impenetrable.

In all these models one could say that unemployment is caused by the existence of 'good employers' who prevent the market mechanism from creating the relatively low-paid jobs which the unemployed could take. Viewed by the unemployed, the friendly relations between trade union members, or between workers and firms in the primary labour market, are like a club from which they are excluded. The range of sympathy shown in the reciprocal obligations that characterise the labour market is not wide enough to encompass those without jobs. The unemployed are the unintended victims of a conspiracy whose objective appears wholly admirable.

Good employers do a great deal for their workers, providing training as well as adequate pay, they provide health insurance and a company car, child care facilities and a social club. They command the loyalty of their workers who come to identify themselves with the firm and with their friends in the workplace. Employees feel that they are stakeholders, with some say in how the business is run.

All this is fine from the point of view of Christian social ethics, except for two rather serious snags. The first is that the first requirement of any firm is that it ensures its own survival, which in a competitive market may be incompatible with job security. Any implied promise to the contrary must be made in bad faith. The second snag is that these attractive conditions of employment do not cover the whole labour force. Christian ethics supports the development and nurture of communities, but it also insists that social concern should extend to the whole of society, with the emphasis on helping the poor and those on the margins. We cannot be content with the 'weighted utilitarianism' proposed by Samuel Brittan in his recent book 'Capitalism with a Human Face' that consciously attaches more weight to the well-being

of one's family and friends than to the others of one's own countrymen - let alone foreigners. In this respect, and others, Christian ethics is extraordinarily demanding.

3. What Can be Done?

At his point I would like to introduce another rather long quotation from William Temple, which is particularly relevant to this paper:-

‘If Christianity is true at all it is a truth of universal application; all things should be done in the Christian spirit and in accordance with Christian principles. ‘Then’, say some, ‘provide your Christian solution of unemployment’. But there neither is nor could be such a thing. Christian faith does not by itself enable its adherents to foresee how a vast multitude of people, each partly selfish and partly generous, and an intricate economic mechanism will in fact be affected by a particular economic or political innovation - ‘social credit’ for example. ‘In that case’ says the reformer - or, quite equally, the upholder of the status quo - ‘keep off the turf. By your own confession you are out of place here’. But this time the church must say ‘No; I cannot tell you what is the remedy; but I can tell you that a society of which unemployment (in peace time) is a chronic feature is a diseased society, and that if you are not doing all you can to find and administer the remedy, you are guilty before God.’ Sometimes the church can go further than this and point to features in the social structure itself which are bound to be sources of social evil because they contradict the principles of the Gospel’.

We are an Association of Christian Economists, not an Association for Christian Economics. I take this to reflect the same distinction as that made by Temple in this passage. We do not look to Archbishops for estimates of the elasticity of demand for labour, or even for assessment of the effects of trade union legislation on the feasibility of a national incomes policy. But I would also wish to endorse the last sentence of my quotation where Temple says that we may indeed have to pass moral as well as professional judgments on social structures. We cannot keep theology and economics in separate compartments when we address policy issues. The two need to react together to form a compound which has properties distinct from those of the elements from which it is produced.

Over the past few years a vast amount of analysis has been undertaken by economists seeking remedies for the problems of high unemployment. The OECD has produced a report with two very substantial annexes; the European Commission has produced a White Paper; in this country the TUC organised a successful conference in 1994 to mark the fiftieth anniversary of the 1944 White Paper and the Chancellor addressed the subject in his Mais lecture; the ‘wise men’ made unemployment the special topic for their report in November 1994. It would be too much to suggest that a consensus has emerged from all this effort, but some propositions can be identified which would command widespread support.

One such proposition would be the negative one that the Keynesian remedy of demand expansion can, at best, make only a limited contribution to the reduction in unemployment. In this country, for example, the demand expansion of the late 1980s produced only a temporary fall in unemployment, accompanied by rising inflation, and followed by a severe recession. Another negative conclusion for most (although not all) economists now is that the various forms of incomes policy adopted in this country from the 1950s to the 1970s stand little chance of success in a more fragmented and flexible labour market. The answer to unemployment today is not to put back the clock to the period when full employment was last achieved. We have to seek different remedies now.

Most of the measures now being advocated to reduce unemployment are intended to work with the market as an equilibrating system rather than to replace it. In other words they are intended to reduce the 'natural' rate of unemployment, whether that is understood in the context of perfect or imperfect competition. They include cuts in taxation or national insurance contributions to increase the incentive to firms to employ less-skilled workers who are otherwise likely to be unemployed. The cost of such measures would have to be recouped by higher taxation of other kinds. If the aim is to achieve something approaching full employment by this means the shift in the tax burden would have to be very large. The Chancellor has made clear that he accepts the argument in principle, but as yet he has only taken very small steps in the direction indicated.

If measures were more tightly focused then they could be a great deal less expensive. Hence there are proposals which involve subsidies or tax reliefs for taking on workers who have actually been unemployed for some time, rather than the much wider class of low-skilled workers who are at risk of being unemployed. There has been a long sequence of 'active labour market policies' directed towards the unemployed in this country and elsewhere. Some have been concerned to provide training, work experience or help with job search, so as to make the unemployed more employable; others have been more concerned to identify those in receipt of benefits who are not really seeking work at all. Operated on a small scale such measures are no doubt helpful. I would doubt however whether they could be both successful and humane if they were expected to make the difference between the present situation and something which could be called 'full employment'.

I am happy to go on advocating tax or expenditure changes which would reduce unemployment, together with special measures which would help some of those most hard hit by it. I would not wish to claim however that these measures are likely, in terms of practical politics, to produce a dramatic improvement in labour market conditions. I would like therefore to return to the point which Temple made about 'features of the social structure itself which are bound to be sources of social evil because they contradict the principles of the Gospel'. How might that text be applied to the society of today?

4. 'The Social Structure Itself'

In the last few years there is some evidence of a reaction against the extreme individualism of most political thought in the 1980s. In America the communitarian movement and the writings of Etzioni have attracted a following. The emphasis there is on responsibilities as opposed to rights, on 'intermediate associations', on marriage and the family, on the neighbourhood or locality, on the moral education of children - much of which seems to the English reader to be no more than common sense as well as being the pursuit of the common good. But in this country as well there may be a perception that neo-liberalism has gone too far. The emphasis, one hears, is moving away from 'contract and performance' to considerations of 'trust and ethos'.

Although economists have paid relatively little attention to them the institutions of the labour market are, of course, characterised more by tacit understandings and 'gift exchange' than by formal contracts of employment. Most people do not actually know how secure their jobs are at law, but rely on the goodwill of their employer. In looking for a job the key issue is often who you know, who owes you a favour, or who will trust the recommendation of your friends. The rate of unemployment depends on the social structure in this sense, as much as it depends on taxes and benefits or other economic incentives.

The fundamental problem of unemployment insurance is moral hazard. If a safety net exists workers are more likely to become unemployed, and less likely to find a new job. They are being insured against a risk which depends in some degree on their own choice. The present national insurance regime is supposed to ensure that the unemployed have not 'voluntarily quit' their last job and that they are 'actively seeking work'. Legal sanctions do not seem to work very well. Perhaps the system would work better if the unemployed were under greater moral pressure from society to support themselves, and if employers were under greater moral pressure from society to give them the opportunity to do so. Arguably this was the case in this country in the post-war period, but less so now. At one time (even longer ago than that) unemployment insurance, for skilled labour, was organised by trade unions. They were able, as well as paying benefits, to operate a labour exchange and at the same time to insist that their members took jobs when they were on offer. Within the craft community, unemployment could be addressed as a common problem in need of a common solution. Nowadays it seems to be more a case of every man or woman for him or herself - an attitude which government policies tend to reinforce.

The State itself exists as the agent of a national community, not just a collection of individuals. It has a responsibility for the health of society, not just the well-being of its members. For most aspects of social policy the nation state is the appropriate unit. This view is so firmly established that 'full employment as a policy aim' - the title of this paper - will be tacitly assumed to refer to national economic policy. However, where the national sense of community is weak and the local sense of community is strong, there is a case for delegating some of the powers and the responsibilities of government to a lower tier. In relation to welfare policy this option is being considered now both in this country and in America - and

rightly so. The danger is that there will be competition between localities to enjoy the lowest rate of taxation and not the most effective form of social provision. Nevertheless, the idea merits further consideration.

Unemployment varies greatly from one part of the country to another. One component of the national rate is associated with regional decline or depression. Local communities can be encouraged to play an active part in their own economic regeneration. Part of that process consists of creating local jobs for the local unemployed.

As a final thought, it is worth remembering that most of the churches are themselves locally-based organisations, with weak central control and strong roots in the community. This in itself means that they see social problems from a different point of view to that of national government and bureaucracy in London. Perhaps this point of view could actually help them to approach the national problem of unemployment more creatively.

The social evil which in Temple's words 'contradicts the principle of the Gospel' is that we do not care enough about one another. Ultimately we should care about the conditions of every human life anywhere in the world. But the Gospel itself recognises that this obligation manifests itself in the form of a neighbour, that is of someone in need whom we happen to meet whether we know them already or not. The problem of unemployment would be addressed more effectively in the first instance if Dives cared more about Lazarus who sits there on his own doorstep.

UNEMPLOYMENT: A CHRISTIAN RESPONSE

Esmond Birnie, Queen's University, Belfast

Those who have directly experienced unemployment will probably not require much persuasion of the fact that it is a major, and perhaps even the major, social problem of our time. As Harold Wilson, the former Prime Minister once observed, for the person who is unemployed the unemployment rate is 100 per cent.

This article has a number of parts. It first summarises the reasons why high unemployment is generally regarded as unacceptable. We then consider why Christians have specific and compelling reasons, deriving from the extensive Biblical teaching on work, to wish to see large scale unemployment reduced. I then attempt to overview some of the facts relating to unemployment. I trace how not just in the UK but across much of the rest of Europe we got into our current position of high unemployment.

To describe what has happened is difficult enough, but to explain it is an even more perilous task. Nevertheless, an attempt is made to judge the significance of the various causes of unemployment. Sadly Christians sometimes bring little credit either to themselves or to their Lord because of a tendency to opt for simplistic and unrealistic solutions to various social and political problems. In the case of unemployment it is important to realise that there are no easy solutions. Any reduction in unemployment is likely to come about only if some people (including possibly some of the readers of this paper) are prepared to make sacrifices. The report closes with a consideration of some the particular ways in which the members of the Churches could respond to the problem of unemployment.

1. Why High Unemployment Is Unacceptable

Christian and non-Christian alike would generally agree that high unemployment is very costly and therefore undesirable. Three main costs of unemployment have been identified:

- i.) The costs to individuals and their families,
- ii.) The costs to society as a whole,
- iii.) The costs in terms of possible political instability and reduced levels of law and order.

i.) costs to individuals and families

When considering these it is important to distinguish those who have chosen to be unemployed from those who have unemployment forced upon them. Presumably the personal costs of unemployment will be most marked for those who have not chosen their state of unemployment. These costs could include increased family or household poverty. Moreover, ill health often seems to be associated with unemployment perhaps because of the psychological distress suffered by some of the unemployed. It is for this reason that Lord Beveridge wrote in

his report in 1943 on plans to establish a social security system in post-war Britain that the maintenance of 'full employment'¹ was important, 'For men to have value and a sense of value, there must always be useful things waiting to be done, with money to pay for doing them'. Although today some would wish to rephrase this in more 'politically correct' terms, many would still agree that the ultimate tragedy for the unemployed is less that they cannot get anything out of the economy and society but their inability to put anything in.

ii.) costs to society

Not only do the individual unemployed and their families sometimes suffer but society as a whole also loses out from mass unemployment to the extent that the income of the entire nation is lower than it would otherwise have been. This comes about because the unemployed are idle and are not making things or providing services. It is as if society has been stricken by wartime destruction or some natural disaster, only in this case resources are being wasted because of the way in which the economy happens to operate.

iii.) costs in terms of possible political instability and criminality

It is often feared that prolonged serious unemployment may lead to political instability. During the 1930s many commentators feared that mass unemployment would mark the end of both the market economy and democracy. Certainly, most of the countries of central and eastern Europe turned to totalitarian regimes of either a fascist/Nazi or communist type. An interesting question today is whether the newly established democracies of Russia and eastern Europe will be able to survive as unemployment rises there in some cases to very high levels (perhaps 20% or more).

The possibility of a relationship between unemployment and crime remains hotly contested. The graphs of recorded crimes and unemployment levels in the UK have risen together over the last 30 years. This does not prove that unemployment has caused greater crime and, of course, crime sometimes causes higher unemployment and it is notable that recorded crime in Britain was very low during the mass unemployment days of the 1930s.² Christians would tend to stress individual's responsibilities for his/her own actions and the primary importance of the sinful disposition of human nature they should not deny that sometimes circumstances such as unemployment contribute to criminality; '... if I am poor, I may steal and thus insult God's holy name' (Proverbs 30:9b, Living Bible).

2. Establishing A Christian Response to Unemployment

From ancient Biblical texts to the modern world

So far we have rehearsed the standard secular responses to unemployment and the reasons why unemployment is regarded as unacceptable. There is much that the Christian could agree with in such responses. However, is there anything distinctively Christian to add? Here the Christian who believes the Bible is our ultimate standard by which we judge how it is God wishes us to live encounters a problem. Just as there is no mention in the Bible of genetic engineering, nuclear weapons, the cinema and rock music, so references to UB40s and job

clubs are missing. In short there is the challenge of applying a 2000-3000 year old book to the late twentieth century. Christians have usually reacted to this situation in one of three ways.

First of all, some Christians have in effect raised the white flag of surrender and given up any meaningful application of the Bible. They might attempt to justify this by saying that either Christianity is primarily about personal holiness rather than the intricacies of government economic policy, or that difficult social problems should be left to 'the experts'. Interestingly, these sorts of responses has been expressed by both politically right wing Christians (e.g. the former Conservative Lord Chancellor Lord Hailsham³) and left wing ones as well (e.g. Ronald Preston⁴, the prominent exponent of Anglican social teaching). There certainly are occasions when the experts do know more than either General Assemblies or bishops. Members of the clergy, and probably most lay Christians as well, do not necessarily have the expertise to deal with the technical side of such questions such as whether VAT should be charged on fuel or the Post Office privatized. At the same time, just as it has been said that war is too important to be left to the generals, so economics is too important to be left to economists and a few politicians and civil servants. Any matter with moral implications, and almost all social and economic policies have such implications, is a legitimate concern for Christians and indeed the Churches. Simply to leave things to the experts is probably a dismal recipe for continued secularisation; i.e. the marginalisation of the Christian faith in the modern world.

A alternative route for modern Christian to move along would be that of literal application of parts of the Bible. This approach is attractive because it appears to be both distinctively Christian and faithful to the Bible and it has won favour among some of the so-called 'fundamentalists' in the USA.⁵ According to this view because there is little evidence of government provided welfare safety nets or anti-unemployment policies in Old Testament Israel there is no Biblical justification for such policies in twentieth century countries.

Similarly, it has been argued that Paul's account of the role of the state in Romans 13:4-6 envisages an exclusive concentration on a law and order function and so there is no right for governments to intervene in the running of the economy. There are probably elements of truth in the literalist/fundamentalist approach. The Bible does not provide any direct mandate for modern governments to pursue social and economic policies designed to create full employment. Moreover, the emphasis of the Bible appears to be on the state as an upholder of law and order and perhaps some degree of righteousness in society as a whole.⁶ Yet these interpretations may be rather narrow given that there was some provision for the destitute in the Old Testament and Paul did also instruct the state to 'reward' those who do good. Moreover, the underlying principle of Biblical interpretation being used by this group of Christians (i.e. nothing is legitimate for modern Christians unless specifically mandated in the Bible and, equally, nothing is wrong unless specifically condemned) may be wrong. Rigid application of this principle would have, for example, implied that Christians could have played no part in the nineteenth century campaign to abolish slavery.

Given the weaknesses inherent in both the strategy of disengagement (i.e. ‘the Bible says nothing... let the experts decide’) and that of literal application it may be a cause for some relief that there is in fact a third approach to the use of the Bible in contemporary social problems; the extraction of enduring principles from the specific historical case studies provided in the Bible. This approach has been exemplified by John Stott⁷ with respect to a variety of contemporary issues and by Donald Hay⁸ with special reference to economics.

The Old Testament contains a great wealth of laws and regulations on social and economic matters. Given that Old Testament Israel was a predominantly agricultural and non-urban society it is hardly surprising that many of the Mosaic laws do not have a direct application in the modern world. However, it should be possible to derive broad principles from these laws which will still be relevant in the twentieth century. It is important to stress that the principles constructed by any particular Bible commentator are of a provisional nature, i.e. it is possible that other Christians would take a different view. The provisionality of the Biblical principles follows in part from the fact that each interpreter is like to bring his/her political prejudices and even his/her vested interests into the reading of Scripture, i.e. textual evidence may be sought to support what is already the interpreter's conviction as to what is the right course of action. The imperfect development of Biblical scholarship and also of our historical knowledge of Biblical times imply that we sometimes do not fully understand the Biblical laws or indeed the extent to which these were actually applied. These are the reasons why this paper is billed as A Christian response and not The Christian response! Others Christians may disagree with the way I have tried to apply Biblical principles to the unemployment problem. My hope is that any debate may lead to progress towards the adoption of those principles which would more closely reflect God's will in these matters.

Biblical principles on work and unemployment

The modern Church may not have given sufficient emphasis to the very large body of teaching in the Bible on this subject. If there has been such a neglect it contrasts to the emphasis of the Reformers⁹ who were anxious to emphasise that our ‘work’ could potentially contribute as much to the glory of God as our worship or, indeed, what is now termed ‘full-time Christian service’.

Right from the start the Bible establishes the principle that productive activity is essential to our humanity. All human beings are in the image of God and in Genesis 1 the Creator himself is seen as a worker. Subsequently, men and women were made for work¹⁰; Genesis 2:8, 15 (of course, the Creation Account implies that having communion with God was of more central importance than the early agricultural and scientific activities which are described in those Chapters, e.g. the tending of the Garden and the naming of the animals, but is important to remember that God did give humanity the task of working and did this before the Fall). In Genesis 4 we see the beginnings of specialization and technological development in work which have since become such key features of the modern world economy; such activities as building, farming, music and metal working are described.

We will all at times have experienced work which is dull, tiresome or involves exploitation or creates disagreement between different people. Some work is even said to be 'soul destroying' (a significant description!). Genesis 3 tells us that 'bad work' is one of the consequences of the Fall and the development of human sinfulness. Yet, notwithstanding the effects of the Fall and sin it is still possible to enjoy work as well as to use it as the means necessary to support oneself and any dependents (Ecclesiastes 2:24 and 3:22). This has great implications for the Church both at the personal, pastoral level and in the field of social witness. No Christian can realistically expect work to be a bed of roses. At the same time, at certain level of satisfaction should be anticipated (some commentators would go so far as to argue that if a Christian is continually unhappy in their job then this is an indication that God wills them to be doing something else). In terms of social activism, the Church should not be surprised that working conditions are often very imperfect and yet there is also hope that boring, unsafe, exploitative and disharmonious situations can be improved. The Bible provides plenty of precedents for working for such improvements.

In the New Testament work is also described as a means of providing service to both God and the community. Paul commends hard work in order that we can earn enough to give to the needy (Ephesians 4:28). Ultimately, the Christian should not work simply to please his/her employer but to bring glory to God (I Corinthians 10:31).

The Bible sees work as potentially serving the community and praising God because work is viewed as part of God's larger purposes for the humanity he has placed in his created world. In Genesis 1:28 God instructed the first human beings to be 'fruitful' and 'increase in number' and to 'rule' over the physical and animal world (New International Version, NIV). The most direct application of this verse would be that the population was to grow on the basis of an expanded ability by agriculture to feed the ever growing number of mouths. Notwithstanding the continued reality of famine, especially in Africa, the human race has indeed multiplied spectacularly. Some Bible scholars, particularly in the Reformed tradition, have seen Genesis 1:28 as having even wider significance endorsing as it does a general 'cultural mandate', i.e. human beings are to use their God given gifts of brawn and brain to further develop the created world which God has left in our care. According to this interpretation politics, economics, industry, commerce as well as scientific research, education, health care, music, art and architecture etc. are not devilish distractions from the task of personal evangelism or even regrettable necessities but are divinely appointed tasks. Of particular relevance to the issue of work and unemployment is the fact that our God approves of our efforts to create wealth and use technology to serve our fellow human beings.

This point is vitally important because there has probably been a longstanding anti-industry/anti-wealth creation bias in the Church which hinders Christians from making an adequate contribution to the reduction of unemployment. The roots of such a bias run very deep. For example, sixteen hundred years ago Augustine declared 'business is in itself evil'.¹¹ Any prejudice against business may have been consolidated during the predominance of the church in medieval Christendom. Since the pre-1600 period was characterised by very slow economic

growth and a sort of early version of the planned economy¹² there may have been inculcated into church leaderships habits of thought which are now highly inappropriate in an era of dynamic market economies. There is also the danger that the current teaching programmes of evangelical churches restrict their message on wealth and economics solely to the New Testament strictures against a materialist philosophy of life. This means that many Christians do not realise how much the Bible (especially the Old Testament - see below) praises creativity, and socially responsible and just technological change and economic activity. In fact, even churches which give a very high position to the Bible are prone to absorb the ideas of the outside culture. This means that they sometimes confuse what was once a generally accepted political consensus (e.g. in the UK in favour of Attlee Welfare State established by the 1945-51 Labour Governments, or in the USA in favour of the elements of welfare provision provided by the Great Society of the Kennedy-Johnson period of the 1960s) with a distinctively Christian position. Thus when economic policy in both the UK and USA shifted in the 1980s towards a much greater emphasis on wealth creation through increased incentives to individuals and the private sector this change was slammed by many of the Churches (e.g. the Church of England, Church of Scotland and the English Methodist Church as well as the mainstream 'liberal' denominations in the USA). What was less clear was whether such criticism was based on solidly Biblical grounds or simply the fact that the Church leaderships were unable to extricate themselves from previous economic and political orthodoxies.

A further manifestation of the anti-wealth creation bias has been displayed by attitudes to the problem of the so-called 'Third World'. Perhaps the most vocally expressed view in recent decades has been the argument that the poverty of the less developed countries can be mainly or even entirely attributed to the wealth of developed world.¹³ It goes beyond the scope of this paper to adequately respond to such an argument but suffice to say at this stage that attributing of the causes of Third World poverty solely to the actions of the developed world has the unfortunate effect of absolving the governments of the poorer countries for partial responsibility for the current plight of those countries.

In recent years there have been encouraging signs that the Churches have begun to take seriously the fact that wealth creation is something which does have a place in God's will. If we examine the Biblical record we see, for example, in Deuteronomy 8:7-9 that God blessed Israel with a promised land rich in economic resources. God declares that he is the one who gives 'the ability to create wealth' (Deuteronomy 8:18a, New International Version, NIV). He would hardly do this if such activities were inherently sinful! Job 29:1-5 describes early mining and metal working activities. Of course the main point of that narrative was to emphasise the superiority of God's wisdom to that of humanity but there is no hint that Job (or God) regards it as wrong that 'Man puts an end to darkness, he searches the farthest recesses... and brings hidden things to light' (Job 28: 3a, 11b, NIV). It should be recognised that Job may be one of the oldest books of the Bible in its composition and indeed one of the most ancient pieces of world literature. Thus, even 4000 years ago humanity's quest for scientific, technological and economic improvement had begun which reflects the fact that in these fields humanity is reflecting, albeit now imperfectly, the image of God.

In its practical advice for living the book of Proverbs emphasises that hard work and prudent business behaviour can often bring its own reward in terms of increased personal prosperity (it is also realistic enough to accept that some will seek gain through deceit). The 'wife of noble character' of Proverbs 30:10-31 is portrayed as an able selector of wool and flax, a skillful worker with her hands and even a successful investor in land.¹⁴ Once again, this suggests the legitimacy of profit seeking and business activity. That personal enrichment can have positive effects on the wider community was recognised by God's command to the Jews exiled to Babylon, '... seek the peace and prosperity of the city... Pray to the LORD for it, because if it prospers, you too will prosper' (Jeremiah 29:7, NIV, the underlying Hebrew is *Shalom* which has wider connotations than simply the absence of war and conflict since it also implies wholeness and bounty). Almost certainly between his youth and the age of about 30 our Lord worked in what we would today call the 'small family business' (probably not so much a carpenter as a small building firm). This again emphasises there is no sin in owning capital or seeking to support oneself by selling goods or services. The apostle Paul was also a trained tent maker and at times he returned to this trade to earn his keep (I Corinthians 9:6).

Some might argue that I recommend too positive an emphasis on business and wealth creation. After all, some of the merchants of Old Testament times came to what can only be described as a sticky end. The prophet Ezekiel's Lament for Tyre (chapters 27 and 28) contains a very intricate account of the trading networks of the ancient Mediterranean and the products which moved along these but then concludes '... your wares and all your company have gone down with you' (NIV). A close New Testament parallel is provided by Revelation 18's prophecy of the 'Fall of Babylon' for which perhaps read the stock and commodity exchanges, currency markets and international firms of our modern global economy, 'The merchants of the earth will weep and mourn over you because no one buys their cargoes any more' (NIV). It is, however, important to stress that the sin of Tyre and 'Babylon' was not that they traded or even that they made economic life more specialized and complex. The problem is that they pursue profit unethically and became spiritually complacent as a result, 'By your great skill in trading you have increased your wealth, and because of your wealth your heart has grown proud' (Ezekiel 28:5, NIV). Jesus warned against mammon in the strongest terms (e.g. Luke 12:15). It might be wondered whether the Churches' failure in modern times to place wealth creation within a Christian perspective has been one major factor allowing the development of a godless philosophy where wealth is pursued for wealth's sake and not for the glory of God.¹⁵

It might also be wondered if the Second Coming and Judgment Day tends to make economic and business life a bit of a secondary issue; after all, '... the earth also and the works that are therein shall be burned up' (II Peter 3:10b, King James Version). There is in fact an alternative, less incendiary interpretation of this verse (see the NIV). In any case, the New Heaven and New Earth does not mean the annihilation of those things of value which we do in this life; 'Blessed are the dead who die in the Lord... they will rest from their labours, for their deeds will follow them' (Revelation 14:13, NIV) and 'The glory and honour of the nations will be brought into it' (Revelation 21:26, NIV). In other words, there will be some continuity

between the world as it is now and as it will become in perfection. Thus, it is well worth working well in this life.

I have already emphasised that the Bible says little nothing directly about our responsibilities to the unemployed. This is not surprising given that the main economic activity in Biblical Israel was farming. The types of unemployment associated with modern industrial economies were yet to develop. However, the Bible is quite clear about the responsibility to deliver justice to the weak; Exodus 23:6, Leviticus 19:15, Deuteronomy 24:17, 27:19, 15:15, Psalm 82:1-3 and Proverbs 31:8-9, for example. It seems to the author that as the character of God does not change he still cares deeply for those in modern society whose plight is comparable to that of the orphan, widow, alien or destitute farmer of Old Testament times. In many cases the unemployed will fall into this category.

3. The Recent Unemployment Record in the Industrial World

In this part I give a very quick summary of some the main factual points relating to the unemployment record in the western economies since the 1950s. This approach might appear to be somewhat out of place relative to our previous consideration of some of the Biblical principles relating to unemployment. Are we simply returning to earth with a bump? In fact for a truly Christian approach it is necessary to combine a careful knowledge of the Bible together with an appreciation of what is actually taking place in the contemporary world. One does not have to agree with everything the great twentieth century Swiss theologian Karl Barth wrote to recognise that he was right when he said an effective Christian requires two things; a Bible and a newspaper, i.e. knowledge of God's will should always be complemented by having a mind which is well informed about the world in which that will has to be applied.¹⁶ This section therefore seeks to provide some of the information which the well informed Christian should know about unemployment. It is probably worth stressing two points:-

- i.) an increase in unemployment has been almost universal across the industrial world,
- ii.) the incidence of unemployment is very uneven.

So turning to point number one, the universal increase in unemployment; probably in almost every industrial economy, and perhaps in all of them, unemployment rates in the mid 1990s are higher than those in the early 1970s or early 1960s. In considering the record of unemployment it is commonplace to compare rates in three areas; the United States (US), Japan and an average for Europe (usually for the European Union).

Such comparisons are worthwhile because they illustrate some very striking contrasts. Unemployment appears to remain of negligible importance in Japan though even there officially recorded unemployment did begin to climb during 1993 and 1994. US unemployment rates have remained markedly higher than those in Japan and appear to show a increase over the years (albeit the pronounced cyclical pattern, i.e. up and down movement over a period of years, makes this trend hard to detect and average unemployment in the 1990s has so far been

slower than that in the early 1980s, in fact, with the exception of a few bad years US unemployment rates appear contained within a 5-8 per cent range).

Lastly, we come to the European Union. The statistics taken at face value suggest that the European experience has been the least favourable of the three areas (I return to the possible reasons for this later on in this paper). European unemployment was much lower than US rates during the 1960s. However, EU rates have subsequently climbed past those in the US and during the 1980s and 1990s have remained substantially higher. In the 1960s UK unemployment rates of around 2 per cent were only one-third of those in the US. In the 1980s UK unemployment averaged 9.5 per cent (one and half times the US rate). Thus there appears to have been a startling turn around.

This, therefore, is the simple story about unemployment rates in the three main components of the western world. Unfortunately, these statistics could be misleading. The black economy represents one possible reason, i.e. in certain countries a considerable number of the officially unemployed could actually be in work. By its very nature reliable measures of scale of the black economy do not exist. The available estimates, for what they are worth, suggest black economies in Greece, Italy and Spain of 20-30 per cent of recorded GDP (these are probably the 'leaders' amongst developed countries in this respect) and the smallest black economy of 4 per cent in Switzerland, the UK and US being closer to the Swiss end of the scale. It therefore seems likely that more of Europe's registered unemployed are in the black economy than is the case in the US (this makes economic sense given that income tax and taxes on labour are higher in Europe so the gains from being in the black economy are greater). Thus the true unemployment gap between America and Europe may be smaller than the official statistics suggest.

Withdrawal from the labour force by discouraged workers (e.g. by men over 40 who prematurely retire, women who give up looking for work, and by men under 30 with minimal work experience who chose to persist in an 'underclass' type existence of crime and social marginality) is a second factor not allowed for in the official registers of the unemployed. We do, however, have some data which allows us to control for it. We can measure the per cent of 15-64 years old who are in employment (the employment rate). In 1973 this was equal in the US and Europe at 65 per cent. By 1990, however, the European employment rate had fallen to 62 per cent but the US risen to 72 per cent. Thus, according to this measure the US still emerges as considerably more successful at getting people into work (this conclusion is reinforced when we consider changes in the quantity of hours worked, many of the jobs which have been generated in Europe have been part-time and might thus be considered of lower value than full-time ones, when employment rates are adjusted for average hours worked then the European employment rate falls to 55 per cent in 1990 but the US remains as high as 70 per cent).¹⁷

The second important fact about unemployment which should be stressed is that its incidence is very uneven. In other words, some people have the misfortune of being much more

unemployed than others. Generally speaking, the youngest and oldest members of the labour market have the greatest probability of being unemployed. The likelihood of being unemployed, and of remaining unemployed, increases for those who have the lowest levels of educational qualifications. In Great Britain the members of most ethnic minorities have higher rates of unemployment than those for whites. There is now some dispute about the relative impact of unemployment on men and women. Most of the unemployed and especially those who have been out of work for more than a year are men. Some would argue that this simply shows that many women who are in truth unemployed fail to register as such. There is however a view that the labour market is increasingly favouring women relative to men. In section 4 I will show that a variety of reasons (particularly cheaper imports from the Third World and technological change) have led to a decrease in employment in manufacturing in the industrial economies. The industries which were particularly effected, such as car manufacturing, steel making and shipbuilding, had once been major sources of well paid jobs for skilled, manual male workers. In Britain and the US we will probably soon be at the point where, for the first time in modern economic history, the number of women in formal employment exceeds the number of men. At the same time, much of the growth of female employment is of a part-time nature and has relatively low rates of pay.

Here again it is possible to note a striking contrast between the US and Europe. Americans face a much greater probability of being unemployed (in the 1980s 2 per cent become newly unemployed each month compared to only 0.4 per cent of Europeans). However, if they do become unemployed they also have a much greater probability of rapid exit from that position. Half the US unemployed find work within one month, only 5 per cent of the Europeans do. In short, the US 'pool' of unemployment is fed and emptied by rapidly flowing inflows and outflows whereas the European case represent a much more stagnant pool. It follows that whereas during 1981-89 9.1 per cent of US unemployed had been out of work for greater than 12 months 44 per cent of UK unemployed were long term unemployed (i.e. unemployed for more than one year).

If unemployment is predominately experienced by a relatively small number of people then this could imply that there will be reduced pressures on government, trade unions, businesses etc., and indeed the Churches, to make those changes necessary to reduce unemployment. This is why the uneven incidence of European unemployment is significant. Even if unemployment affects about one in ten of the population it may be possible for the 'lucky' employed people to ignore the unemployed if the latter tend to remain the same 'unlucky' people. Even Christians could fall into this trap of complacency (especially if, as I argue below, the long term unemployed tend to be under-represented in our Churches).

4. Is Unemployment Caused by Technology and the Newly Industrialised Countries?

Like any other big social or economic problem unemployment has caused the creation of a large number of theories which attempt to explain it. Some of these are more respectable than others. Some, however, are scare stories and often these have very long histories.

Let us take one of the oldest scare stories; that machinery, mechanisation, technology, automation or robots are destroying jobs. This reminds me of the story of a Roman emperor who reputedly had the inventor of smash proof glass executed lest glass makers be put out of a job. Similarly, the nineteenth century Luddites burnt farm machinery and at that time David Ricardo and other economists debated whether the industrial revolution would reduce employment. In a column in the *Financial Times* of 4 January 1993 the president of ABB, one of Europe's largest engineering companies, claimed that ever increasing productivity would inexorably produce even higher unemployment.

The fact that these fears and panics have been repeated over the centuries and yet total employment has continued to grow is suggestive there is something wrong with the theories. Sometimes economists refer to the 'lump of labour fallacy', i.e. the belief that there is only a fixed amount of work waiting to be done so that any machine which reduces the need for human labour to do a particular job also reduces the total number of people in work. There is, for example, overwhelming evidence that the increase in western unemployment since 1970 has very little to do with robots and silicon chips. Rates of productivity growth have in fact got slower. This suggests rates of technological change are slower than those during the period after the Second World War (1948-70) when Britain and most other industrial economies had much lower levels of unemployment than today. Japan with the greatest incidence of robotics has retained the lowest rate of unemployment. If anything there is the view that the rate of industrial innovation after 1973 slowed down relative to the post-war boom. If one accepted this proposition then one would be waiting for a surge of computer-, laser- and genetic engineering- based products to lift the OECD economies and hence reduce unemployment.

It is certainly true, however, that technological change has reduced the demand for some types of labour (particularly unskilled manual, male workers and sometimes skilled manual, or blue collar, workers as well). It is in this sense that it may be destroying jobs (we refer to this point again later in this Part). In a sense the technology scare story has now be modified. The current fear is that modern technology allows manufacturing to be foot-loose, i.e. factories and jobs can easily be shifted across the globe and are alleged to be moving from Berlin to Bombay, and from Dundee to Delhi etc., as multinationals and international companies take advantage of this.

It is certainly true, notwithstanding all the gloomy news from parts of the so-called Third World, that there has been significant industrial expansion in those parts of the world economy outside of the western countries. By the early 1990s using the best calculations the less developed countries plus the former communist bloc may have accounted for up to 46 per cent of the total output of the world economy, i.e. the western or industrial economies represented only just over one-half. The share of newly industrialised countries of the Third World in world manufactures trade had jumped from 10 per cent in 1970 to 22 per cent in 1993. But, has this contributed to higher western unemployment?

A large number of pessimists think it has. For example, Ross Perot made one of his main planks in his ultimately unsuccessful 1992 US presidential campaign opposition to the North American Free Trade Agreement (NAFTA). If NAFTA were created (it was during 1994) he feared a 'sucking sound' as US firms switched their factories to Mexico. Similarly, the eminent French economist Allais has said jobs are being exported from France to the Third World. To some extent he seems to reflect the views of the French governments which have opposed greater world wide free trade (the new GATT agreement). And there are the even more extreme suggestions of the Anglo-French businessman and politician James Goldsmith who forecasts economic ruin for Europe unless it introduces measures to keep out imports from Asia.¹⁸ These pessimists argue that the newly industrialised countries represent 'unfair competition' because wage levels and employment conditions are so poor relative to Europe. This situation, they fear, could degenerate into 'social dumping', i.e. Europe would be forced back to the standards of the sweat shop in order to compete. What is certainly true is that labour costs are much lower in the Third World:

Average employer cost of one manufacturing person hour, 1993 £ sterling
(converted using exchange rates)

West Germany	16
USA	11
Japan	11
UK	8
South Korea	3
Mexico	2
China	0.6
Thailand	0.6

Nevertheless, there is series of very telling criticism which can be made against the view that the newly industrialised countries have caused a substantial part of recent western unemployment. The first criticism is to question the scale of the impact of the newly industrialised countries. In 1990 imports from low wage economies represented only 3 per cent of US national income (compared to 2 per cent in 1960). The 1994 Organisation of Economic Co-operation and Development (OECD) Report on unemployment concluded, 'In practice, most of the competition in OECD countries comes not from low wage countries but from the OECD countries themselves'. Only 1.5 per cent of consumer expenditure was in fact being allocated to non-OECD origin imports.

A further problem with the pessimists' case is that they seem to hold to a version of the lump of labour fallacy. In fact, if South Korea, for example, starts to export more to the West it is likely that in due course South Korea will increase imports from the West as well. The cake of world trade is not a fixed amount, it can grow. In recent years the newly industrialised countries have been the most rapidly expanding export market for the industrial economies. Newly industrialised countries may even invest in the industrial economies. A number of east Asian companies are already operating factories in the UK.

Let us now modify the pessimistic case and see if it is true the newly industrialised countries have caused problems for one particular group of workers in the West as has been argued by Adrian Wood (1993).¹⁹ Now, it is true that during the 1980s there was an increased spread between the wages of higher earners and low earners. In the US real wages for the top 10 per cent of wage earners increased by 5 per cent whereas those for the bottom 10 per cent fell by 15 per cent. A similar pattern of widening relativities was observed in the UK where wages for the top 10 per cent increased 60 per cent and those for the bottom 10 per cent by only 20 per cent. Wage differentials widened in 12 out of 17 industrial economies considered. However, we cannot be sure this represents the impact of imports from the Third World. It could equally be that technological change within the industrial economies has reduced the demand for unskilled male workers. It is indicative of this that the income premium or advantage arising from higher education in the US seems to have increased; i.e. the average US graduate earned 37 per cent more than a high school leaver in the late 1970s, by 1989 that premium had jumped to 53 per cent.

What lessons might a Christian wish to draw from this analysis of the causes of the unemployment? I doubt if a Biblically based Christian should join the panic against technology or the Third World. The Bible suggests that technology can certainly be misused, consider the Tower of Babel story, but it also emphasises that it does have a legitimate role as something which can add to human welfare (see section 2). In my own view it would be immoral for the rich countries to protect themselves against imports from the Third World. Countries like Hong Kong, Singapore, South Korea, Taiwan and, to a lesser extent, Indonesia, Malaysia, and now even India and 'mainland' China have made considerable strides in raising average living standards and meeting the basic needs of the population on the back of an industrialisation and export programme. If the UK and other western economies refused to buy imports from the Third World or, indeed, those coming from the former communist bloc countries, it would be like knocking away the ladder to prosperity before these countries could climb any higher. What does have to be recognised is that both world trade and technology, whilst bringing benefits to society as a whole, create pain for particular individuals and families. The unemployed shirt factory worker in Manchester may not be greatly consoled that textile employment is now growing in India. Neither is a Scottish lowlands barley farmer likely to view philosophically the possibility that greater free trade between the European Union and Poland/Russia, whilst potentially bringing the benefits of cheaper food as well as the consolidation of democracy in the east, could also push him out of business. The Church should not be in the business of trying to stop those big changes in the world economy which are likely to bring general benefits. Nor is the 'ostrich position' of burying one's head in the sand a good Christian witness. What the Church should be is an agent of active compassion to those who are the victims of change.

5. Do Minimum Wage Laws Cause Unemployment?

Superficially this question may appear to have little place in a paper about unemployment. In fact anything which alters the cost employing workers is likely to have an effect on unemployment. This remains a controversial area and the possible reintroduction of minimum wages is likely to return to the heart of UK political debate during the next couple of years, but this gives all the more reason why Christians should not duck the issue or remained uninformed about it. It is worth noting that the Borrie Report (*The Report by the Commission on Social Justice*) of 24 October 1994 recommended a UK minimum wage of £3.50 per hour.

Perhaps ironically, given its general laissez faire (i.e. minimal government intervention), and unregulated approach, the US has extensive minimum wage provisions. This is, however, deceptive because the specified minimums are very low relative to average market rates and so usually have little impact. In 1980 about 3.5 million UK employees worked in trades subject to minimum wages set by a variety of Boards. By the early 1990s almost all of these had been abolished as part of a very deliberate policy to create a more competitive labour market. Thus, most of the continental EU members now have much more significant minimum wage provisions than either the US or UK.

During the 1992 General Election the Labour Party proposed a strong minimum wage as a contrast to the Conservative's progressive dismantling of the minimum wage legislation which had been established since the 1900s. Labour wanted the minimum to start at 50 per cent of median ('median' being one particular definition of the average, i.e. 50 per cent of people would earn more than the median the other 50 per cent less than it) manual wages. One academic estimate was that this would have the short term effect of cutting employment by 60,000. Labour planned to eventually raise the minimum to two thirds of the median. This attracted severe criticism during the Election. Some went so far as to claim that the measure could cost 2 million jobs. In fact, a more plausible estimate is a job loss of 200,000.²⁰

Turning now to evidence from the other industrial economies, most of the statistical type studies which have been conducted in the US are suggestive of the job-destroying effects of minimum wage laws. As has already been noted, minimum wages are now more significant in continental Europe than in most of the English speaking world. This may be an important explanation of international differences in unemployment. In France between the 1970s and mid 1980s the minimum wage rose from 40 per cent of average wage levels to 50 per cent of that level. The jobless rate for the young rose at the same time (under 24s unemployment rate went up from 4 per cent to 24 per cent). To the extent that young workers are likely to be the least productive, perhaps because they have the least training, then a minimum wage increases the relative cost to the employer of a young worker by more than that of a more experienced worker. At the same time the US Federal minimum wage dropped from 40 to 30 per cent; US youth unemployment rates were only half those in France.

There may be no uniquely Christian view on minimum wages. Any Christian who thought it would be possible to increase the cost of employing labour without at the same time also having some negative impact on the level of employment should probably be regarded as

naive as one who thought he or she could overrule the effects of gravity. However, the extent to which minimum wages could increase unemployment has often been exaggerated. Some Christians will form the judgment, given the Biblical principle of the importance of work, that 'low pay is better than no pay'. In other words, the key thing is to get the greatest number of people into jobs and if minimum wages get in the way of this then they should go. The Christian exponents of minimum wages would, however, choose to stress the need to regard the dignity of each person as someone created in the image of God and the importance of protecting the weak. It is worth looking at the case of minimum wage laws because they exemplify the way in which Ireland and Britain now face two radically different options as to how to organise the labour market. These options form the subject of the next section.

6. A European or American Future? Two Ways of Running Labour Markets

There is no doubt that the European economies have performed relatively poorly in terms of job creation over recent decades. The irony is that whilst this means some politicians in Europe are therefore looking to America as an example to imitate, some Americans, notably President Clinton's Labour Secretary Robert Reich, are now rather disillusioned about aspects of the US labour market and therefore have praise for the European record (this was reflected in the comments made by Robert Reich to the international job summit which was held in Detroit in 1993). In this section I therefore look at the extent to which there are now two distinct models as to how we can organise our societies with respect to employment of labour; the US model and the continental European model. We shall conclude that in differing ways both have their attractions and yet both have serious flaws.

First of all, the continental European Union (EU) model which is probably best seen in west Germany (though France and the Benelux economies share many of the same features). Notwithstanding its membership of the EU, the UK still stands apart from this model. In the EU model labour markets are substantially regulated, i.e. minimum wages are set at a significant level relative to the average level of wages, unemployment benefit rates are also a sizeable proportion of pay in work (and are available for prolonged periods of unemployment), a large fraction of workers are union members (and the extent to which trade union can increase wages is substantial) and non wage labour conditions are also substantially regulated (e.g. hours of work). This kind of approach to the labour market is linked with certain political features (e.g. a consensus between conservative and socialist parties, or Christian Democrats and Social Democrats, that a substantial welfare safety net should be provided) and other economic features (e.g. the market in corporate ownership is not highly competitive so companies are not likely to find themselves suddenly under the threat of being taken over by rivals).

The US stands in marked contrast to this EU model. As we have already noted minimum wages in the US have become less significant over time, unemployment benefit is much less generous and union membership is now as low as 17 per cent. In short, the US is much closer to a textbook labour market without the 'hindrances' of intervention by governments or unions. As is now widely recognised, American workers are much more likely than their European

counterparts to switch regions or occupations when patterns of relative demand move. Strikers can be fired on mass (e.g. President Reagan's breaking of the strike by the air traffic controllers) and on occasions unions will agree wage reductions (e.g. certain US airlines in recent years). This model is supported by both the Democratic and Republican Parties (for example President Clinton's latest welfare reforms are probably well to the right in political terms of any continental European 'conservative' party).

The interesting question is therefore which is best; socialised capitalism in the style of the Rhineland or individualistic capitalism *a la* California? This will be one of the key political questions over the rest of the decade. In terms of the employment creation figures there appears no contest. Since 1960 the US has increased employment by 84 per cent, Japan by 46 per cent and Europe by 6 per cent (the UK performance at 10 per cent was slightly better). Admittedly, crude job figures have their limitations (as was noted earlier some jobs may be part-time and this raises the question whether people prefer part-time work or treat it as an imposition). We also know that real wage growth has been much less substantial in the US than Europe. Thus there has been something of a quality-quantity trade off in America's success.

The most often made criticism of the American model, indeed the one which has caused the American President and Labour Secretary to cast some envious glances on the European situation, has been that it creates massive poverty. To some extent this is a function of the greater labour market flexibility which we have already noted (e.g. as the demand for unskilled male manuals has dropped their real wage levels have actually been cut in *absolute* terms, the real wage being the level of pay in money terms adjusted for changes in the level of prices). During the 1980s the real wage of the bottom tenth of industrial workers fell by 1.3 per cent per annum in the US, they increased by 1 per cent p.a. in the UK and 2 and 4 per cent annually in Sweden and West Germany respectively. By the beginning of the 1990s average wages for the top 10 per cent in the US were 5.5 times those of the bottom 10 per cent. Contrast this to Europe where the ratio was 3:1. The absolute level of wages for the bottom one-tenth in the US were only 38 per cent of the median, in Europe they were 68 per cent.

US poverty problems can be partly attributed to these very low wages. There are several other factors. As we have already noted, the probability of becoming unemployed is much higher in the US and the rates of benefit are much lower. In 1991 in the US the average payment of benefits equalled only 17 per cent of the average wage paid in work compared to 31 per cent in the UK. The UK, in turn, was less 'generous' to the unemployed in terms of benefit levels than most other EU member states. Another contrast with Europe is that in the US the state ceases to provide any welfare support for unemployed single males after 26 weeks. The unemployed may also lose their health care insurance (this does not arise in Europe where public health services are predominantly financed out of general taxation).

In short, some have argued that the US has solved the unemployment problem but only by creating a poverty problem. Moreover, even if measured unemployment remains low by

European standards some US males have withdrawn completely from the labour force to resort to lives of criminality and drug taking. The social costs of this are obvious. So a partial defence of the European situation might be constructed by arguing that, although inner city London, Rotterdam and Berlin have their problems, at least there is as yet no underclass equivalent to that in Chicago or Los Angeles in terms of its entrenchment and scale (see *The Economist*, 1994, July 30, 'Europe and the underclass', p. 21-23). However, one problem with this view is that we cannot be sure how far competitive labour markets are the cause of the US underclass (other social factors could be as important; the race problem or the disintegration of the American family).

There is an obvious question which might be prompted by the analysis in this section, 'Is there not some third way other than the American or EU models?' On the face of it there are other alternatives which may be more desirable. For example, for many years the Swedish model was vaunted as combining efficient firms, growing living standards, high levels of public services and great equality in wage levels. Swedish unemployment rates in the 1970s averaged 3 per cent. Swedish unemployment actually fell between 1968-73 and 1985-90 whereas it rose by 5-6 percentage points in both west Germany and the UK. This has often been attributed to active labour market policies, i.e. government spending a lot of money on retraining the unemployed and relocating labour from declining industries into growth sectors. In fact an equally important explanation was simply a very large increase in the share in employment in the public sector (by 6.1 percentage points during 1974-90 compared to 2.1 percentage points in west Germany and -0.4 percentage points in the UK). This was how Sweden avoided the very large increase in unemployment which afflicted the rest of the western world. However, there was an unavoidable cost in terms of increased tax bills (by 1988 55 per cent of GDP compared to 41 per cent average in Europe). Eventually the taxpayers revolted against the policy and as spending levels have been cut back in recent years unemployment has risen to more than 9 per cent. It does not seem that the Swedish model is a viable option anymore.

So then, what about Japan as an alternative exemplar of a road back to fuller employment? We know that unemployment rates remain below 4 per cent (despite a recent recession) and Japanese economic growth rates have also remained higher than those in the US and Europe. Has Japan succeeded where the US and Europe (including Scandinavia) have failed by uniting increased employment with increased prosperity? On the face of it she has but this begs several other questions. First of all, is the Japanese model replicable outside of Japanese culture? Despite the success of Japanese direct investment in the US and UK (i.e. the branch plants set up by Japanese firms in these countries) the answer to this is by no means clear. In any case many westerners might look at certain aspects of Japanese culture and conclude they were better off remaining the way they are. Even the economic aspects of the Japanese miracle may be less unambiguously favourable than is sometimes thought. There is a dual economy so working conditions in the large multinationals may disguise significantly less favourable terms in the smaller firms and non-trading sectors. Some commentators have even argued that true unemployment in Japan may be closer to 10 per cent (about the same as

Europe) once one allows for discouraged workers (mostly women) who have given up looking for work and disguised unemployment given overmanning.

What then should we conclude about policies to reduce unemployment? This is obviously difficult to answer. The 1994 *Jobs Study Report* published by the OECD made 60 specific recommendations. The interesting thing about these was that they combined an American emphasis on competitive labour markets with a European focus on the need to retain social welfare standards and as such this approach might win favour with a Christian as an attempt to get the best of both worlds. However, some economists might worry that the contradiction between the American and EU models is too great and therefore the irreconcilable cannot be reconciled. The cynic might also claim that the OECD was trying to please all the major western governments. However, with some difficulty and a bit of experimentation it might be possible to move towards anti-unemployment policies which increased the flexibility of labour markets without also increasing poverty. For example, in the view of the author, it is probably right to downgrade minimum wage laws and take steps to ensure that 'replacement ratios' (i.e. the ratio between what a person who is out of work can get in benefits relative to his/her after tax income in work) do not become too high. At the same time measures could be taken to protect the living standards of the low paid in work (e.g. welfare income supplements paid through the benefit systems, an example in the UK would be the Family Credit paid to low income working families).

The Christian needs to be aware of the following dilemma. Compassion suggests that we should not force people into work by depressing what is often already a low standard of living. However, we are also aware of the danger that any welfare provision can be abused by the work shy (II Thessalonians 3:10). At a more general level, I would repeat that the UK and the Republic of Ireland now face the choice of adopting either the American or European approaches to the employment. From the Christian point of view neither of these appears unambiguously favourable when judged against God's standards for a just and righteous society. The US approach is strong on creating jobs and giving opportunities for individual creativity free from the possibly heavy hand of state interference. Unfortunately, it is also associated with an expanding hard core of deep poverty. The European model, in contrast, does emphasise the inter-dependence of the community but at the price of making the economy too rigid to respond to changes in the levels of demand for different types of labour. In simple terms, Europe now has an unemployment problem but America has a poverty problem.

To summarise the story so far, we thus seem to have come to a point in the western world where none of the secular experts, neither the political conservatives nor the socialists, neither the business community nor the trade unions, really know what to do about unemployment. This gloomy conclusion has one ray of hope. It leaves a gap in the market, to use a business expression, for the Churches to contribute to the creation of jobs in the context of self-help and service at the community level. I now make a number of specific suggestions for action by the Church.

7. Suggested Church Responses to the Unemployment Problem

Three of these suggestions relate to action by individual congregations, and the fourth is directly towards action in the realm of public policy.

1. *Encourage individual congregations to draw up two lists:* List A would cover any skills and experience represented within the membership applicable to community development and, List B would cover particular social/community needs represented within the locality. A second stage would then be to make connections between A and B. Some congregations may feel rather uncomfortable with the idea of becoming a sort of substitute labour exchange or small business, but community development efforts on the part of the local Church do not need to be interpreted in this way. Such efforts could also be viewed as following the example of the care for the needy which was clearly demonstrated by the New Testament Church.

2. *Create amongst Church membership + leadership an awareness of certain facts about unemployment.* Our Churches' teaching should reflect all the relevant Biblical material, e.g. on the dignity of work, the importance of adequate safeguards for the helpless (see section 2 above), and also recognise as sections 4 and 5 indicated that the causes of unemployment are often many and complex. In particular, in many cases unemployed persons may be unemployed through no fault of their own.

3. *Encourage our Churches' teaching to reflect the whole Bible on the subject of wealth creation* (see section 2) and indeed celebrate it to the extent that it serves the community and brings glory to God. The tradition of harvest services already implicitly endorses wealth creation in farming and this begs the questions why not apply the same principles to the 92 per cent of people working outside of agriculture?²¹ A number of Churches already practice a so-called 'industrial harvest' (for example in a Church of England parish in the engineering-based city of Coventry; *The Times*, 15 October 1994). This course of action would be right in itself. It could also have certain favourable economic spin-offs given the evidence that religious beliefs (along with other cultural attitudes) affect the extent to which people either start or expand businesses ('entrepreneurship'). This in turn creates jobs.

4. *Campaign for greater consideration of certain imaginative attempts to deal with unemployment.* Concern should be especially directed towards the long term unemployed. One example would be to favour some form of expanded community employment scheme whereby the long term unemployed were taken into employment on various projects for several years at a time with their wages being paid for by the government (perhaps at a rate equivalent to the unemployment rate plus after tax top up of, say, £ 40-50). The advantage of such a scheme would include the restoration of dignity to the formerly unemployed as they were now brought back into productive activity. In some cases the effect would also be to force the unemployed to vacate the black economy. Thus there would be an increase in the general level of honesty. A further advantage would be that, although there would be a net additional cost to the government (previously it would have paid the formerly unemployed the standard benefit rate but now it would be paying above that level) this could be relatively small (according to one

reckoning £ 40 million annually for each additional 10,000 persons taken off the unemployment register). The expanded community employment scheme would be disadvantaged to the extent that the public at large refused to accept that the people engaged on these activities were doing 'real' jobs. Community groups such as the Churches would have to try to influence attitudes in a favourable direction. The scheme participants could indeed be providing socially beneficial services which would otherwise not be provided. Some suggestions include installation of fire alarms, child minding, assistants to primary school teachers and tree planting. The fact that participants on this proposed scheme would be earning considerably more than the unemployment benefit rate should help to combat the perception that these are 'Mickey Mouse' or not 'real' jobs. In any case, from a Biblical point of view any activity which brings service to the community and glory to God is a 'real' job.

There would also be the danger that the expansion of the community based employment would decrease employment elsewhere in the economy. However, such a negative effect would probably be quite small. An alternative approach would be that of so-called transfer vouchers (the unemployment benefit currently paid from the government to the individual on the dole could be transferred to the employing firm which takes a person off the register).²² Such a scheme has the advantage that in theory the additional cost to the government would be negligible (the unemployment benefit would be paid anyway). The scheme has all of the advantages of the expanded community employment scheme but does not expand the area of state employment as the former would. The disadvantage is that there is no certainty as to how readily employers would respond to the transfer vouchers being offered to them (the scheme would also have to be carefully monitored to ensure that companies did not cheat by getting rid of some of their existing employees in order to take in some workers who were eligible to use the transfer vouchers).

Whilst not necessarily being able to endorse any one specific proposal it does seem entirely legitimate for a Christian organisation to question the morality of the current situation where a substantial amount of public money is being used to simply keep people in the idleness of long term unemployment when better alternatives may be possible.

8. Parting Thoughts

This paper has emphasised that unemployment is a huge and complex problem. It would be understandable if the individual Christian, or even the local congregation, therefore reacted with a shrug of the shoulder and said there is nothing we can do which will have any meaningful or substantial impact. Though it is natural to be daunted it would be wrong to be so. I am reminded of the response of Bob Geldof when someone asked him why he was engaged in the Band Aid efforts to help Africa when it was obvious the size of their fund raising would still be dwarfed by the scale of the tragic Africa famine of the mid 1980s. At this point, Geldof quoted the words of another Irishman of two centuries before, the politician Edmund Burke, 'No man made a greater mistake than he who did nothing because he could do little'. A similar

attitude should shape our response to unemployment.

Finally, some Christians may feel that employment creation, however desirable in itself, is not a priority for the Churches. Unlike evangelism there is no direct mention of job creation or community development in Christ's Great Commission. I have two responses to this. First of all, our calling is indeed to make disciples in all the nations. Disciples will be true to the full teaching of the Bible and, as I tried outline in section 2, a considerable amount of that teaching relates to the dignity and importance of work as well as the valued place for business activities in God's creative purposes. Secondly, a proactive response by the Churches to the unemployment problem in no ways clashes with evangelism. Indeed, in certain ways the two need to go hand in hand. *The Economist* newspaper²³ recently reported, 'In Holland disproportionate numbers of the long-term unemployed opt for unlisted telephone numbers; in Ireland they attend church less often'. In other words, the unemployed often cut themselves off from the rest of society²⁴ and that includes the Churches. It may well be that before we can reach out to the unemployed with the evangelism of the Word we will have to show them the evangelism of practical care.

Acknowledgement

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Notes

1. The term 'full employment' is much less frequently used today than it was 20-30 years ago. This probably reflects the lack of a generally accepted definition (it cannot mean zero unemployment because there will always be some unavoidable minimum level of unemployed, e.g. those unemployed between leaving one job and moving into their next line of employment). It is also pretty widely accepted now that most industrial societies are unlikely to return to full employment, whatever that means, in the near future or even to the relatively low rates of unemployment recorded during the post-war period up to 1970.

2. The assertion of a statistical and indeed causal link between unemployment and crime rates has most recently been made by some academics in the Department of Applied Economics at Cambridge University. It is also worth noting that Professor Davies, of the Department of Sociology at the University of Reading, has noted a statistical link between falling crime rates in the late nineteenth century and rising Sunday School attendance. Once again, a statistical relationship is no proof that one factor caused another but it is suggestive.

3. In 'The Two Cities', in M. Alison and D.L. Edwards (ed.) (1990), *Christianity and Conservatism*, Hodder and Stoughton, pp. 19-26.

4. For an explanation and critique of Preston's approach see N. Biggar and D. Hay (1993), 'The Bible, Christian Ethics and the Provision of Social Security', *Journal of the Association of Christian Economists*, no. 15, p. 1-22.

5. One particular example is the 'Theonomy' or Christian Reconstruction movement which argues for the 'reconstruction' of contemporary society on the basis of the continued validity of the Old Testament law in exhaustive detail. For critical evaluation of this approach see P. Miller (1992), *Into the Arena*, Kingsway, pp. 47-70.
6. 'Yet civil government has its appointed end, so long as we live among men, to cherish and protect the outward worship of God, to defend sound doctrine of piety and the position of the church, to adjust our life to the society of men, to form our social behaviour to civil righteousness, to reconcile us with one another, and to protect general peace and tranquility'; J. Calvin, *The Institutes of the Christian Religion*, Chapter XX, Book IV (ed. J. McNeill and tr. F.L. Battles, Westminster Press).
7. In, J. Stott (1990), *Issues Facing Christians Today*, Hodder and Stoughton.
8. In D. Hay (1989), *Economics Today*, Apollos.
9. Many commentators have pointed to the revolutionary impact of Luther and Calvin's contention that all believers could have a 'calling' and not simply those with a 'vocation' for the ordained ministry (most notably M. Weber (1930), *The Protestant Ethic and the Spirit of Capitalism*, London, and R.H. Tawney (1966), *Religion and the Rise of Capitalism*, Pelican). Evangelical Christians sometimes say that they believe in the 'Protestant work ethic'. Some care needs to be used in handling this concept which does not come directly from the Bible but from the German sociologist Weber. Weber implied that by the start of the twentieth century the work ethic degenerated into what we would today call 'workaholism'.
10. 'Work' has an intrinsic worth regardless of whether payment is received for doing it. From a Biblical point of view charitable, Do It Yourself or house work need not be second bests to paid activity. At the same time, the Bible is realistic enough to recognise the significance of work as a necessary means of earning a living in most cases.
11. Quoted in Chewning (1993), *Christianity and Business*, Apollos. Augustine never rid himself from the pre-Christian thinking of Greek philosophy and particularly Plato's assertion that there was a higher life of the spirit or soul which was held back by its imprisonment within a physical body in a world of matter. This philosophy, which has had a long-standing influence on the Church, leaves no room for productively using the material world and certainly none for enjoying it. It was also the intellectual basis of Augustine's extremely negative attitudes towards sexuality. Contemporary evangelicalism may have shed most of the Augustinian hang-ups about sex but perhaps not those relating to business and wealth creation!
12. The monasteries, with their centralised control of who did what and who consumed what and their absence of private property, could be seen as a small scale and usually relatively benign precursor of the so-called communist societies of Russia and eastern Europe which operated during the 1917-89 period.
13. This has been the cry of the so-called 'Liberation Theology' as it has attempted to combine some variant of Marxist economics, usually Lenin's assertion that the western capitalist powers

need to operate some form of colonialism over the rest of the world in order to prop up the capitalist system, with Biblical analysis (e.g. U. Duchrow (1987), *Global Economy: A Confessional Issue for the Churches*, World Council of Churches Publications). Some evangelical Christians have also supported the proposition that the western industrial economies cause the poverty of the Third World; R. Sider (1978), *Rich Christians in an Age of Hunger*, Hodder, and J. Wallis (1981), *The Call to Conversion*, Lion Publishing. What these theories have failed to explain are the contrasting performances of different parts of the Third World ranging from very favourable in some parts of East Asia to poor in South America and dismal in much of Africa.

14. Incidentally, this passage, along with the cases of Lydia and Priscilla, suggest the Bible has no problem with the phenomenon of 'working women'. This suggests that some of the attitudes of some male evangelicals, and indeed Roman Catholics as well, may owe more to chauvinistic social attitudes than sound Biblical exegesis!

15. See, for example, B. Griffiths (1984), *The Creation of Wealth*, Hodder. Although Griffiths, who was head of the Downing Street Policy Unit during part of Mrs Thatcher's premiership, thinks it is possible to construct a case within a Christian perspective for a capitalist and market economy (i.e. an economy relying substantially on private ownership and the response of individuals to incentives such as profits and wages) he concedes that much of the recent intellectual defence of such an economy has been based on values and philosophies which have a damaging humanistic and secular component.

16. Barth actually said that the Christian Minister would need a newspaper and Bible but a wider interpretation seems legitimate.

17. When we look at total 'non-employment', as opposed to the conventionally defined unemployment rate, we see how large the problem of enforced idleness has become. In the UK as a whole roughly one-quarter of all adult males (16-60) are either registered as unemployed or have become inactive and have left the labour force completely.

18. Notably, in his (1994), *The Trap*, Macmillan and in a more recent rebuttal of his critics Goldsmith, J. (1995), *The Response*, Macmillan.

19. In (1993), *North-South Trade, Employment and Inequality*, OUP, he has claimed that the impact of NIC imports had cut the demand for unskilled labour by one-fifth during the 1980s.

20. This is because the increased cost to employers of implementing such a minimum wage would probably be about 1.6 per cent of current total payments of wages and salaries (an increase of 1 per cent is certain as low pay groups were raised to the minimum and it has been estimated that the remaining 0.6 per cent increase would arise as other occupational groups demanded wage increases to preserve differentials relative to those earners now receiving the statutory minimum). A 1.6 per cent increase in labour costs would probably reduce the demand for labour by at least half that amount, i.e. 0.8 per cent. Total employment in the UK is about 25 million and so a 0.8 per cent reduction would be equivalent to 200,000 jobs.

21. The example of the Harvest service also suggests a response to some of the criticisms which might be made of the suggestion that the Church should praise wealth creation in general. Some business managers are unethical in their practices but so are some farmers. Some industries damage the environment but then modern intensive agriculture can have the same effect. Some of the goods and services produced by parts of our economy appear to be of questionable social value but then certain crops (heroin, tobacco) usually have damaging social consequences and that part of our farm output which is delivered to the EU surplus stores is probably of zero social value. In short, the Fall has effected the farming industry as much as the rest of economic activity but that has not stopped us from celebrating the Harvest. It is time that we got rid of a too small concept of the sovereignty of God and recognised that we are also dependent on his blessing and providence in the greater part of the economy which lies beyond the farm gate.

22. As recommended by, for example, Professor Dennis J. Snower on benefit transfers (e.g. (1995), 'Evaluating unemployment policies: What do the underlying theories tell us?', *Oxford Review of Economic Policy*, vol. 11, no. 1, pp. 110-135).

23. (1994, July 30), 'Europe and the Underclass', pp. 21-23.

24. Of course, it could equally be argued that the employed tend separate themselves from the unemployed. Perhaps this makes them feel more comfortable.

CONCEPTIONS OF HUMAN FULFILMENT IN POVERTY REDUCTION

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1. Introduction

Imagine you are given the job of assessing the work of an architect who wishes to build a housing compound for the homeless. When could you say she had been successful? On the one hand, her desire to provide shelter for the poor is commendable. But this is not enough. For it could be that her plans for a homeless compound contain a technical mistake, and 2 months after it is built it will fall down. Or the architect might forget what she had begun and design an elegant mansion which was beautiful, even inspiring, but which offered nothing to the homeless. She might simply tire of her task and go off to be a journalist. Or she could build a housing compound very quickly, which was ready for its inhabitants within weeks' time, but which was unintentionally mean and dehumanizing because in her urgency she had underestimated what human life was all about. In assessing poverty alleviation programs, we must not be too quick to celebrate their success.

This paper has three sections. First I shall give a theological reflection on poverty, and its relation to human fulfilment. This relates to the question of truly understanding and internalizing the ethical commandments in the 'law', as, for example, illustrated by the example of Nehemiah. The Natural Law approach is able to indicate how poverty alleviation, while not 'good' in an unqualified sense, can express Christian love for the entire person. Second I shall turn to the World Bank, the largest lender for developing countries, and try to identify the concept of poverty alleviation out of which it acts. How does its narrower concept of human fulfilment make it oblivious to the 'ethical ambiguity' of poverty alleviation, and unintentionally destructive, possibly, of non-economic goods? The third section will address the perplexing problem of how to reconcile a substantive conception of human fulfilment with the requirements of economic decision-making. It will introduce Amartya Sen's Capabilities Approach (which itself has addressed this problem at length), and propose an operationalization of it using Natural Law.

But first of all, we must define some terms. Poverty refers to material deprivation only. Obviously we legitimately speak of the emotional poverty of loneliness, or of being unrecognized. But I am referring to absolute poverty, to a lack of food, shelter, sanitation, health, primary education, and in short the things needed to live a minimally decent life.

'Poverty alleviation' comprises the economic and social projects/programs by which governments and international agencies address absolute poverty, and by doing so may contribute to human fulfilment. The link between poverty alleviation and human fulfilment shall concern us during most of this paper. The problem is how to make the link more secure -

to make sure that poverty alleviation actually furthers human fulfilment, rather than advancing one narrow set of economic/social goods at the cost of other non-economic goods.

Finally, Christian economists operate under one constraint, one of which we have all felt the weight; namely that we must somehow present an understanding of poverty alleviation which is fully consonant with the Christian faith and the example of Christ to a plural and secular world. The World Bank can not become confessionally Christian, nor should it. But then it is necessary to couch ideas and goals which to a great extent have probably arisen out of our Christian life and faith in a different vocabulary (To refer to the earlier example, I am grateful that Nehemiah used neither the words 'justice' nor 'law', although he referred to both).

This is in part why I have selected the Natural Law tradition, because it is accessible to persons of any faith or of none, and yet still is able to speak of the spiritual aspect of life.

2. A Christian conception of poverty and human fulfilment

If, as one Christian document states, "the apex of development is the exercise of the right and duty to seek God, to know him, and to live in accordance with that knowledge"¹ then how does poverty alleviation, which rightly concerns itself with material well-being alone, fit in? Christian commitment to poverty alleviation is founded on the insight that humanity is created in the image of God. Dignity is found in every person, "in all the unrepeatable reality of what he is and of what he does, of his intellect and will, of his conscience and heart ... of his personal being and also of his community and social being". In the Christian faith, Jesus Christ as fully God and fully man, brings to light this 'most high calling' of all humanity.

The humanism which underlies poverty alleviation work builds on this understanding of human dignity. While the deepest amazement and faith in human dignity *is* an article of faith, it is a kind of 'faith' present in authentic humanism. The reason that the Christian Church sees fit to encourage esteem and respect for others is *not* because it *alone* recognizes true human worth, but because recognition of human dignity is true.

Absolute poverty denies persons the outward goods which accord with their dignity as persons. Grounds for special concern for the poor are found in biblical examples. The Old Testament law requires a justice that provides for the poor, the needy, the widow, and the orphan. The prophets condemn Israel's injustice and speak in defence of the poor. The poor themselves cry up to God and commend their cause to him. Mary rejoices in the God who fills the starving with good things and raises up the lowly. In the gospels Jesus is shown as preaching to the poor, 'having compassion' on them, healing and feeding and enjoying their company. He urges his disciples to recognize himself in their midst.

Absolute poverty also shuts the doors of potential, making it very difficult for persons to develop and exercise their talents. As Pope Paul VI states "In the design of God, every man [and woman] is called upon to develop and fulfil himself [or herself], for every life is a vocation. At birth, everyone is granted, in germ, a set of aptitudes and qualities to bring to

fruition.”² All people, poor and rich, oppressed and exiled and free, are called upon to develop and fulfil themselves in their bodily and spiritual natures, but this development - mental, physical, social - requires resources which the poor do not easily have.

On the other hand, much of Christian teaching warns against the danger of decadence and luxury, and even recommends material need. The Beatitudes recognize true *value* in poverty, need, inadequacy, marginalisation, in this imperfect world. They remind that justice entails the worship and service of God first of all. There is even a sense in which poverty is positively encouraged. Christ chose a state of poverty - being without a home, without power, without legitimation by religious authorities, without a family - in order to show us in what consists true wealth, which is a life of self-giving love and action (also receptive of love and good action) in communion with God.

And so we come upon a paradox in poverty alleviation, a tension between the beatitude ‘Blessed are the poor’ and the earlier reference to poverty as evil. There is a paradox housed in between the two paths of the Christian ethic: ‘If any man would come after me, let him deny himself and take up his cross and follow,’ and the teaching in Matthew 25 which condemns those who see but do not help the hungry, naked, and imprisoned. The paradox is this: on the one hand, fulfilment is found by renouncing things we could *justly* own or pursue, by laying down our own lives for others, by accepting poverty and dependence on God. On the other hand, fulfilment is found, by the poor, in receiving and making use of the good things of life - being freed from oppression and disease and need, becoming educated and self-sufficient and self-determining.

This paradox, this inward ethical ambiguity of poverty alleviation, is often ignored. The primary danger of poverty alleviation work is that it is usually regarded as decisively good - urgently required and obviously a prerequisite to human flourishing - rather than incomplete and ethically ambiguous. It is also assumed that material poverty is a ‘technical’ problem that does not require knowledge of local values, and only remedies an ‘external’ constraint, leaving the religious/moral/social fibres of a community unchanged. This is the central problem in the case of the World Bank, as we shall see shortly.³

In order to make this ambiguity absolutely plain, it is necessary to consider a model of human fulfilment that makes the argument against poverty very strongly, but that also introduces kinds of incommensurable goods the pursuit of which may entail the voluntary assumption of poverty.

One model is the natural law approach which has been developed by John Finnis and others. Natural law is a set of practical principles which ‘indicate the basic forms of human flourishing as goods to be pursued and realized, and which are used in one way or another by everyone who considers what to do, however unsound their conclusions.’ This is not a ‘law’ in the Old Testament sense of ‘do’s and ‘don’t’s that must be legalistically complied with; rather it is a method - a method for reflecting on all of the possibilities of ‘good’ and ‘loving’

action. It is based on an exercise of practical reason which yields a substantive, objective description of basic goods but preserves a need for historical, cultural, and personal specification.

In natural law theory, the question ‘why do people do what they do?’ (i.e. what is the end of their acting?) is put to practical reasoning (i.e. the kind of reasoning we use when we plan to act). This question, when asked repeatedly by any individual as an exercise of practical reasoning, generates a *discrete heterogeneous set of reasons for acting which reflect the complete range of human good* and which are robust cross-culturally. These reasons, or ‘basic goods’ are [self-evident] reasons for acting which need no further reason; they are a person’s most basic reasons for doing what they do. They are irreducible -- none of the reasons for acting explains any other reason for acting -- and thus incommensurable. The only feature they hold in common is that the pursuit of each of them contributes in its own unique way to what might be described as human fulfilment or well-being.

Every specifically human action, and every moral action, is done for the sake of one or more of these goods. The ‘basic goods’ are, as given by Grisez, Boyle, and Finnis (1987):

- | |
|--|
| <ul style="list-style-type: none"> • Life • Health • Knowledge & Aesthetic Experience • Work and Leisure • Friendship • Integration • Self-Expression • Spirituality |
|--|

They are described as follows:

- I. *Life*, reproduction and physical security are those functionings which concern life’s maintenance, transmission, and safety.
- Ia. *Health*⁴ may be singled out as a separate vector of life-functionings for which persons act.
- II. *Knowledge and aesthetic experience* are those capacities to know reality, to feel and appreciate beauty at one’s own level or intensity.

- III. *Work and play* both involve the transformation of self and world, to express meanings, create value and serve purposes with some degree of excellence. Rest and passive leisure also ‘transform’ the self in a restorative way.
- IV. *Friendship* is that harmony between individuals of course. It also extends here to harmony between communities: to neighbourliness and living at peace with others.
- V. *Integration* is a different sort of harmony. At the level of the self, it is inner peace among one’s feelings. Within a society, ‘communitarian integration’ refers to harmony between an individual’s and the community’s understanding of its origins, values and purposes.⁵
- VI. *Expression* comprises harmony between one’s various judgments choices and performances, and one’s conscience - either as an individual or as a member of a group which shares certain judgments. ‘Freedom of conscience’ laws and those respecting religious practices and public gatherings, permit self-expression within a society.
- VII. *Spirituality* is harmony with some greater than human source of meaning and value -peace with God or some other nontheistic source of meaning.

Complete, or integral, human fulfillment is understood as the complete fulfillment of all persons and communities in the basic human goods and represents, in this life at least, the goal of development. Intuitively, the categories of ‘basic goods’ can be understood as ways in which love for ‘neighbours’ may be expressed, ways in which one can desire another’s true good. If you love your niece, than you may express that love by giving her something good to eat (Life) and sitting down to talk with her (Friendship) etc. Your love for her responds to who she now is, and also to the mystery/wholeness to which she is called.⁶ And if you love another, then naturally you will not confine your love to one dimension - their ‘spiritual’ or ‘physical’ self - but express love in different ways at different times. The ‘basic goods’ express the range of ways love will express itself.

To go back to the example of poverty, then, the alleviation of absolute poverty contributes to some basic goods, such as life, health, and knowledge. But there are other goods for which a person may act, for example religion, that a person at any one time, or within their vocation, may focus on to a greater extent. By focusing on it they may inevitably neglect some other category of basic good, such as health itself. As long as their action does not work directly against a basic good (such as suicide or an act of deliberate self-harm) then their action is moral/rational. And likewise, as long as poverty alleviation does not work directly against another basic good, it is morally commendable. If (and only if) this principle holds, taken together with other principles of practical reasonableness,⁷ then poverty alleviation may be considered unambiguously good.

3. The World Bank’s objective of poverty alleviation

In his historic Nairobi Speech of 1973, World Bank President McNamara described the conditions of hundreds of millions of citizens who live in absolute poverty - human beings suffering from hunger and malnutrition, 800 million being illiterate, 25% of children dying before their fifth birthdays, and the rest hoping for a life which is twenty years shorter than our

own. "This is absolute poverty: a condition of life so limited as to prevent realization of the potential of the genes with which one is born; a condition of life so degrading as to insult human dignity - and yet a condition of life so common as to be the lot of some 40% of the peoples of the developing countries. And are not we who tolerate such poverty, when it is within our power to reduce the number afflicted by it, failing to fulfill the fundamental obligations accepted by civilized men since the beginning of time?" It is well-documented that under McNamara, the World Bank undertook vigorous confrontation of poverty by re-orientating lending to those sectors (such as rural development and health) which were understood to be most influential on the poor.

In the 1980s, in parallel with US and UK government policies, the Bank's objective shriveled into goals of getting prices right and creating macroeconomic stability. But in 1990 the earlier goal of poverty alleviation returned. The central organizing ethical priority for the World Bank in the 1990s is the alleviation of poverty. In 1990 World Bank President Barber B. Conable called the eradication of poverty the "integrating theme for the many facets of the Bank's work, and ... the *raison d'être* for our operational emphases." The 1990 *World Development Report* (World Bank 1990) goes so far as to be moralistic about this concern: "No task should command a higher priority for the world's policy makers than that of reducing global poverty." A more recent statement portrays all Bank development efforts as deriving from its concern for the poor: "The basic mission of the World Bank and the core of its assistance program is the reduction of poverty. The Bank's overall mandate to promote development arises from this fundamental imperative."

Two early changes in resource allocation reflected this renewed commitment. First, monies for research on poverty reduction and human resources development increased from 25% of all research expenditure in 1990 to 30% in 1992. Secondly, Bank lending operations were redesigned in order to contribute more effectively to poverty alleviation. Fifty percent of all structural adjustment loans (SALs) given in the fiscal years 1990-1992 addressed social issues, in comparison with five percent in 1984-86. Fourteen percent of new lending in 1992 was dispensed under the Bank's Program of Targeted Intervention (PTI), which selects projects which specifically identify and reach the poor, or in which the proportional participation of the poor significantly exceeds the proportion of the poor in the population as a whole.

The Bank's objective is important to understand not primarily because the Bank is the largest lender in development, but because it sets the agenda of development debates for NGOs - including Christian ones - and country governments. The issues the Bank takes up and researches - women in development, AIDS, the environment, are then also taken up by other agencies. Its thoughts about what poverty is and how it must be addressed are repeated over and over in smaller organizations with less research capacity. This is the Bank's most powerful exercise of leadership in the world community.

Now the Bank is no philosopher, so its conception of poverty alleviation must be inferred from policy documents and operational directives and evaluations, and *World Development Reports* (World Bank 1990, 1991, 1992) There are vast problems in using these documents - for instance some are also used as public relations material for the Bank and so may contain values which are never intended operationally - and the unbiasedness and robustness of one's conclusions cannot be determined. Nevertheless I have studied these sources, exhaustively noting down phrases which included value judgments (education is good because it increases worker productivity) and then examined those 'values'.

Under further scrutiny, it becomes apparent that there are some goals that the Bank pursues instrumentally as a (technical) means of gaining an end. These include the provision of information, the generation of microeconomic productivity improvements, integration of a borrower nation with the world economy, macroeconomic stability and the creation and improvement of economic infrastructure. Other goals it pursues as ends in themselves. The goals which are pursued as ends in themselves fall into several, not too many, distinct categories.

intrinsically good goods:

The Bank seems to pursue the following items, and only the following items, as "ends:"⁸

- **Education**
- **Health**
- **Nutrition**
- **Consumption**
- **Amenity (the Environment)**

We will call these items 'intrinsically good Goods.' They recur as justifications for many projects throughout the *World Development Reports*, and are also summarized in statements such as the following: "Any notion of strictly economic progress must, at a minimum, look beyond growth in per capita incomes to the reduction of poverty and greater equity, to progress in education, health, and nutrition, and to the protection of the environment."⁹ The following descriptions of each category give the flavour in which they arise in the Bank documents.

EDUCATION

The bank considers education to be intrinsically valuable: it deepens self-understanding and understanding of the world, enriches minds, broadens experiences, and increases self-confidence, creativity and innovation. Furthermore, education contributes to other intrinsically

good goods. The educational status of adult women is the most important variable in explaining changes in infant mortality and secondary school enrollments (1 extra year of education is associated with a drop of 2 percentage points in the infant mortality rate).¹⁰ Countries which concentrate on education improve equity between the sexes and between economic classes.¹¹ Education is absolutely essential in diffusing better environmental, health, and nutrition, and agricultural practices. Education also increases productivity by increasing the technological awareness and learning capacity of the worker, and by strengthening entrepreneurial tendencies.¹² The 1991 *World Development Report* states that “increasing the average amount of education of the labour force by one year raises GDP by 9 percent. This holds for the first three years of education.”¹³

HEALTH

Like education, “[b]etter health is desirable as an end in itself.”¹⁴ Among its benefits are increased alertness and mental capacity, and an increased capacity to “cope with and enjoy life.” Obviously, health also contributes to the attainment of other intrinsically good goods. The increase in learning ability of a child increases the value of education, for example. Health enables people to work more, thus earn and consume more, and perpetuate better health for all persons. Better health also increases worker productivity, reduces absences due to illnesses, and is a pre-requisite for engagement in all forms of economic activity.¹⁵ It also minimizes foregone non-market work (child care, food preparation) which influences economic output in the long term.

NUTRITION

Hunger affects approximately 700 million people or 20% of the world’s population.¹⁶ The majority of these people are not victims of famine, but of ‘endemic deprivation,’¹⁷ or a lack of food security,¹⁸ a condition which occurs in many of the countries in which there is a Bank presence. Good nutrition increases worker productivity in the short and long terms. An increase in daily caloric intake of manual laborers increases their output. Long term balanced nutrition increases a child’s learning ability, lengthens a labourer’s working life, and reduces absences due to illness.¹⁹

CONSUMPTION

Consumption (which differs from income in that the measure also indicates both relative prices and the availability of free public goods²⁰) is likewise pursued as an end. Bank literature on poverty recurrently associates “economic progress” and “poverty reduction” with “an increase in consumption.” For example, to support the conclusion that “the incidence of poverty in the developing world has declined considerably over the past three decades,” the 1993 Evaluation supplies a statistic: “average per capita consumption has increased by 70 percent in real terms.”²¹ Consumption enables persons to purchase food and thus achieve nutrition and health; it enables families to release children who might otherwise work as labourers for an education, and provides the buffer of security which is necessary for the poor to be able to adopt safe environmental practices.

AMENITY (THE ENVIRONMENT)

“Some environmental values - important to poor and rich people alike - are not only unmarketed but also intangible”.²² Amenity is the recent World Bank term which represents both the “value to people” of things like environmental assets (“a clear vista or a clean and quiet neighbourhood”²³), as well as any intrinsic value the environment might have apart from people, which cannot be measured.²⁴ Sustainable agricultural practices which do not degrade soils, deplete aquifers or destroy ecosystems, increase food security thus contribute to good nutrition. Clean sanitation practices, a lack of outdoor and indoor pollution, and clean water all contribute decisively to good health. And respect for amenity values is economically sound: Safe environmental practices are often labour-intensive, thus increase employment. They improve the long-term productivity of agriculture, fishing, and mining. Respect for the environment enables sustainable development - the benefits of which will reach succeeding generations.

an operational definition of poverty alleviation:

The significance of this list, if it is a fair representation of World Bank priorities, is that it represents a title summary of the Bank’s conception of ‘better and fuller lives.’ But of what use is this to our problem? Consider again the list of ‘intrinsically good goods’ recognized by the World Bank. Suppose we were to lay aside economic utilitarianism, and consider that human fulfilment is a function of these goods ($WB = f(L,H,E,C,A)$, where WB is well-being and L, H, E, C and A are the basic goods listed above). And suppose, further, that we are to hold a very simple ethical principle, one which it is entirely reasonable to suppose that the Bank holds, namely that one must not work directly against any basic good. We are in a much better position than if we just equated well-being with GNP (even if the value of this is accurately estimated). Now if national income is increased but at the same time infant mortality rates rise, we are not able simply to consider that we had progressed. Our foundational understanding of the goal of development is more human.

But have we avoided the ‘danger’ of poverty alleviation, which is the danger of leaving behind non-economic values as one enjoys economic gains? Now, compare the World Bank’s list of intrinsically good goods with Grisez, Boyle and Finnis’ basic goods.

Grisez, Boyle and Finnis	World Bank₁
--	Consumption
Life & Health	Health & Nutrition
Knowledge & Aesthetic Appreciation	Education & Amenity
Work & Play	--
Friendship	--
Integration	--
Self-Expression	--
Spirituality	--

We can see that Grisez, Boyle and Finnis list includes ‘Work and Play, Friendship, Integration, Self-Expression, and Spirituality’ all of which the World Bank ignores.²⁵ Now the World Bank does not have any duty to provide these missing elements (except, perhaps, valuable work/livelihoods). But it does have, I think, a duty not to work directly against any of these activities - not to take its own work so seriously that a community has no right to say ‘no’ or ‘not like that.’

This is actually a very serious claim. It amounts to saying that poverty alleviation is good *if and only if* an increase in the capability of persons/communities to enjoy, for example, good health care does not directly overturn social or religious or cultural goods. This is not an case for absolute preservation of traditional ways of life for their own sake, or for the sake of anthropological tourism and the quasi-tyrannical preservation of different cultural ‘species.’ But how can a fuller notion of human well-being than one-dimensional utility inform poverty reduction through economic development? Even if we all see the point, we can only acknowledge that a vast number of both theoretical and methodological questions must be addressed preliminary to the construction of an operational alternative. I believe the most promising theoretical *and methodological* inroad is the ‘capabilities’ approach of Amartya Sen.

4. Sen’s capabilities approach

Sen shares the concern which has been expressed by Christians (including Donald Hay (1989) and John Atherton (1992), among us) as to the value carried by the notion of ‘utility’ in

standard theory. He criticises it for all of the 'normal' reasons: aggregation (both Robbins' and Arrow's insights), revealed preferences, Buridan's ass problem²⁶, the subjective psychological basis of utility, even the problem of maximization and its implied self-interest, and so forth.²⁷ In contrast, he has developed the capabilities approach, which stretches from an Aristotelian foundation which recognizes substantive concepts of the human good and freedom, to quite empirical outworkings in alternative-to-GNP indicators of well-being, or methods of resolving the conflicts of values that occur during development.

The capabilities approach to poverty reduction 'is based on evaluating social change in terms of the richness of human life resulting from it'.²⁸ This human life is characterized by functionings, which are 'beings' and 'doings'. **Functionings** are constituent elements of person's being seen from the perspective of their own welfare. Elementary functionings include nourishment and mobility; examples of more complex functionings are happiness, self-respect, ability to take part in the life of a community, and the ability to appear in public without shame. Achieved functionings can be observed, measured, and represented by indicators such as life expectancy and literacy rates. **Capabilities** represent the range of possible combinations of beings and doings a person can achieve. It "is, thus, a set of vectors of functionings, reflecting the person's freedom to lead one type of life or another...to choose from possible livings."²⁹ For Sen, then, the fundamental objective of development is not to maximize utility but rather to enhance persons' capabilities to function in the way they themselves freely choose.

The value of the capabilities approach on the one hand is that it is wide enough to incorporate all levels of functioning, from basic-to-life functionings of nutrition, sanitation, health, housing etc, to the more complex functionings mentioned above. On the other hand, Sen has retained a fundamental commitment to 'incompleteness' in order to allow for plurality. He shows that complete ranking of different capability sets is neither possible nor necessary, and advocates what he terms the 'intersection approach' by which as long as there is consensus not about the cardinal value of a particular capability but about the range of possible values, one is able to make a great number of choices. Recently he has shown how 'rationality' must be defined independently of the choice that has been made, and explores a method for introducing a 'plurality of motivations' - from self-interest to altruism - into the social choice framework.³⁰

However Sen has not to date specified any practical framework for capabilities, which makes his approach distinctly difficult to operationalize.³¹ For example, what is a good indicator of capabilities (rather than achieved functionings)? We suggest that the natural law model of basic goods be used to specify the dimensions of capability. Several very similar models are currently also being suggested.³² One such example is presented in the Appendix to the paper. This creates a nominal bridge between the capabilities approach and natural law, which will build the natural law directly on Sen's capabilities approach, and his impressive work in several theoretical literatures. It will also allow the problem of a potentially negative impact of poverty alleviation on informal institutions to be treated within a development

paradigm, rather than as specialized lobbies (as they would have to be, for example, with respect to the World Bank model developed in the previous section).

5. Conclusion

Most of the Christian church lives in the developing world, where a strong temptation is to secularize, to give up faith, family relationships, traditional moralities, because of the illusion that ‘to modernize’ or ‘to move out of poverty’ requires this. In part, the Church has a duty to respond to this challenge and offer a theology that actively engages in the intergenerational, urban-city value conflicts that arise during development. But in part, too, the development agencies have an obligation not to act directly against non-economic values and institutions, not to be so eager to ascribe ‘success’ to poverty alleviation programs that they use the concept of human flourishing which will make their efforts seem to have maximal impact, because it under-represents non-economic kinds of flourishing. In order to make this criticism of the development agencies, one must offer a concept of human flourishing which would also fit all of the other requirements of such agencies (to be applicable internationally, to allow a plurality of value interpretations, etc). We argue that the natural law approach provides such a model. Further to such criticism, one must offer an operational alternative which is both theoretically coherent and operational, such as Sen’s capabilities approach, specified by the conception of human flourishing. The very broad strokes of such an avenue for further research have been suggested in this paper.

Footnotes

¹ John Paul II, *Centesimus Annus*, 1991, paragraph 29 (reprinted in translation in O’Brien and Shannon, 1992). Richard Land calls the ‘best news’ of *Centesimus Annus* its conclusion that economics has severe intrinsic limitation and “at best can only support a political and cultural system based on moral and spiritual truth.” Wegel, p 102.

² Paul VI, *Popolorum Progressio*, 1967, paragraph 15 (reprinted in translation in O’Brien and Shannon, 1992).

³ The importance of informal institutions to the poor, and also the need to address the values which undergo change during development, has been written about within the Bank by L. Salmen; however our analysis rests on Bank policy and practice at about 1993, which did not reflect Salmen’s insights.

⁴ Health does not appear as a separate category in Grisez, Boyle and Finnis (1987). However, Anthony Fisher (Oxford, unpublished D. Phil. thesis) argues that health is a separate good from life.

⁵This category is not present in Grisez, Boyle and Finnis (1987). Presumably in their categorization, it fell within ‘friendship’ conceived between communities and their members. However, given the obvious non-beneficial impact of neglecting this category in recent political history, it seemed appropriate to consider it separately.

⁶ Grisez, Boyle and Finnis (1987) p 15.

⁷ see Finnis (1980) chapter 5.

⁸ These findings - as categories which represent an operational definition of poverty alleviation - were later corroborated by a series of interviews at the Bank.

⁹ World Bank (1991), p 45. The list of goods pertaining to overall development (also *ibid.*, p.4) includes individual freedom and a rich cultural life. However, because the Bank pursues economic development, these two items are removed from subsequent lists, and from most discussions (except on liberties, *ibid.* p 50).

¹⁰ World Bank (1991), p 49. See also, p 55-57.

¹¹ World Bank (1990), p 83. World Bank (1991) states that “education is the most important single variable influencing income inequality.” (p 138, c.f. p 55.)

¹² World Bank (1990), p 80.

¹³ World Bank (1991), p 43.

¹⁴ World Bank (1991), p 54. The Bank does not use the ‘end in itself’ phrase in its Kantian sense.

¹⁵ World Bank (1991), p 54.

¹⁶ Pinstrup-Andersen (1993).

¹⁷ The term is Amartya Sen’s. In 1992, famine was reported only in Somalia and the Sudan, with a combined national population of 35 millions; in the period 1985-1991, the population of famine-plagued countries averaged 141 millions (but note that not all of a country’s population are affected by a famine). Chronic hunger is widely recognized as affecting nearly 1 billion persons annually.

¹⁸ Food security is defined as “access by all people at all times to enough food for an active and healthy life; 200 million Africans lack this.

¹⁹ World Bank (1990), p 83.

²⁰ World Bank (1990), states that “current consumption (including consumption from own production) reflects households’ ability to buffer their standard of living through saving and borrowing, despite income fluctuations” (p. 26).

²¹ World Bank (1993). p 3.

²² World Bank (1992), p 86.

²³ World Bank (1992), p 45.

²⁴ See Davies (1993). Many similar studies are under way, c.f. World Bank (1992), p 94.

²⁵ The World Bank includes two additional categories. One is consumption - which in the natural law understanding is not a good in itself, (a reason for acting that has no further reason) but *is* valuable insofar as it is instrumental to instantiating the basic goods. The Bank also includes in ‘amenity’ an understanding of the intrinsic goodness of the environment which the natural law tradition certainly must to take on board. See also Nussbaum (1995).

²⁶ Buridan's ass died of hunger as a result of being unable to choose the better of two haystacks. It could have rationally chosen either since either would be preferable to starvation.

²⁷ Good summaries of these arguments are available in Hay (1989) or in Sen (1987).

²⁸ Sen (1988).

²⁹ Sen (1992), p 40.

³⁰ Sen has written extensively on rationality and on the social choice literature. Sen (1995) contains a summary of preceding work.

³¹ See Sugden (1993), and Crocker (1992), who identify this as perhaps the single greatest problem. Sen's defense of his decision *not* to specify capabilities (which is not because such specification is inconsistent with his approach, but because he thinks it is not required) is found in Nussbaum and Sen (1993), p 47ff.

³² Two authors who have worked in this area are Desai (1990) and Nussbaum (1992). Nussbaum, who works from an Aristotelian position, has argued extensively for a very similar specification, also based on practical reasoning. The natural law approach differs from her approach in that firstly there is no hierarchy among goods, secondly it contains not only basic goods but also principles of practical reasoning and thirdly it explicitly incorporates religion as a basic good. Both the natural law and the capabilities approach come out of a broadly Aristotelian tradition.

Appendix

In his *Commodities and Capabilities* (1985) Sen formalized the following relationships:

<p>Given the following terms</p> <p>x_i = person i's vector of commodities</p> <p>$c(\cdot)$ = a function (not necessarily linear) converting x_i into a vector of characteristics</p> <p>$f_i(\cdot)$ = the personal utilization function of I, by which they convert characteristics into functionings</p> <p>F_i = the set of f_i from which person i can choose one</p> <p>An ACHIEVED FUNCTIONING is</p> $b_i = f_i(c(x_i)).$ <p>Person i's feasible functioning set, for a given vector of commodities is the set:</p> $P_i(x_i) = [b_i \mid b_i = f_i(c(x_i)), \text{ for some } f_i(\cdot) \in F_i].$ <p>Person i's CAPABILITY SET, if the choice of commodities is restricted to the set X_i, is:</p> $Q_i(X_i) = [b_i \mid b_i = f_i(c(x_i)), \text{ for some } f_i(\cdot) \in F_i \text{ and some } x_i \in X_i].$ <p>Finally, if v_i is the valuation of the ith person, then there exists a set of possible values V_i:</p> $V_i = [v_i \mid v_i = v_i(b_i), \text{ for some } b_i \text{ in } Q_i].$ <p>We add the following observation:</p> <p>The set of possible values has a small number of dimensions, each representing a basic good: $d_1, d_2 \dots d_7$.</p> <p>Any valuation of a functioning by the i'th person [any $v_i(b_i)$, for some b_i in Q_i] can be completely resolved into a combination of these seven orthogonal elements: $v_i = (d_1, d_2, d_3, \dots d_7)$</p> <p>Well-being, then, is a function of these dimensions: $WB = f(L, H, K + \Delta E, W, F, I, E, S)$</p> <p>That is, no valued element of well-being (v_i) will be found which does not pertain to these categories. It is <i>not</i> to imply, however, that well-being requires a positive level of participation in <i>each</i> dimension of human functioning. This property (that it is not necessary to participate in every dimension in order to pursue fulfilment, nor is it necessary to participate in each to a certain level) significantly increases the flexibility and accessibility of this approach to persons of varying value systems and abilities.</p>

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