

# JOURNAL OF THE ASSOCIATION OF CHRISTIAN ECONOMISTS

No. 29, September 2001

## *From the Editor:*

If this issue has a theme it is Christian economic and social action. There are two papers revised from the 2001 ACE Conference in July. The first is a discussion of how Christian economists might approach to thorny question of the motivation for social action by Ben Cooper. The second paper is an “ex post” economic appraisal of the achievements of the end of the millennium campaign led by Jubilee 2000 to action relief to highly indebted, poor economies by Robbie Mochrie. Finally the issue contains a review article by Nicolaas Groenewold on John Boersema’s recently published *Political-Economic Activity to the Honour of God*, on the Dutch tradition in Christian economic action.

ACE members will have recently received a complimentary copy of the latest issue *Faith and Economics* published by our colleagues and friends in ACE (North America). If any members wish to take the opportunity of a discounted offer to join ACE-North America and subscribe to *Faith in Economics* then please contact the ACE-UK secretary and treasurer, Jonathan Thomas, as soon as possible.

At the 2001 annual meeting of ACE Donald Hay stood down from his role as one of the three ACE officers. I am sure all members will join with me in offering our thanks to him for his exemplary leadership of the Association over many years, and for his organisation of the annual conference. I am delighted to report that Michael Pollitt has taken on the role of conference convenor, and has already made his mark through a very successful meeting at Sydney Sussex College, Cambridge in July. Next year’s conference is already being planned for early July 2002 in Cambridge. If you have ideas for a presentation, however embryonic, then please contact Michael ([michael.pollitt@econ.cam.ac.uk](mailto:michael.pollitt@econ.cam.ac.uk)).

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# THE CASE FOR THEOCENTRIC SOCIAL ACTION

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## *1. Introduction*

Just what *is* social action, and why does this issue raise such high passions between Christians? In one sense defining social action is trivial, in that it is obviously action that seeks to change social structures. The problem is that a “social structure” turns out to be a rather difficult concept to define, and the definitions we have at our disposal tend to divide along ideological lines. We have drawn our approaches to this issue from turbulent waters, strangely incapable of shaking off long-cherished political views — views that seem to exert on us a disproportionate grip. Perhaps this is because we come from a world that treats politics much as it treats sport. (Why else would anyone bother to vote in a national election, with effectively zero influence on the result, if it wasn’t for the enjoyment of supporting “their team”?) Treating politics as sport is marginally more respectful than the other obvious candidate, which is to treat it as a farce. However, it does mean that just as someone can let their identity become tied up in the fortunes of some football club, defending it with disturbing passion regardless of its manifest incompetence, so it is possible for one’s identity to become confused with some political perspective. Along with our wallets, it seems our attitudes to society and government are among the parts of us most resistant to sanctification. So, despite decades of debate, social action remains an issue easily capable of dividing Christians. This is unfortunate, to say the least, as it there turn out to be a number of exciting opportunities to glorify God that have somehow got lost in the conflict.

Indeed, before proceeding, it may be wise to remind ourselves just how historically high profile the issue of social action has become. It has not always excited such interest. While fundamental assumption of Christendom was that it was better to have a Christian ruler than a pagan, there seems to have been little expressed expectation that the resulting societies would be especially pleasing to God. For Luther, Christ’s new kingdom must abide, waiting for God to consummate social change<sup>2</sup>. Calvin was

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<sup>1</sup> This paper is based on a talk “Rediscovering the Biblical Social Gospel” given at the 2001 Study Group Meeting of the Association of Christian Economists at Sidney Sussex College, Cambridge. I would like to thank the participants for the very helpful discussion that followed. Thanks also to David Field, Mike Ovey and Peter Heslam for taking time to talk through some of these issues with me. The usual caveat applies.

<sup>2</sup> Robert Doyle, “The Search for Theological Models: The Christian in his Society in the Sixteenth, Seventeenth and Nineteenth Centuries”, *Explorations* 3, ed. Barry Webb, Lancer, Homebush West, 1988, p. 35.

keen for Christians to get involved in the magistracy<sup>3</sup> (as he himself was involved in Geneva), but one searches in vain through his writings for much in the way of positive expectation. However, alongside the technological changes that have expanded social possibilities, two theological developments have opened the way for greater emphasis on the issue of social action.

The first is post-millennialism. Calvin's successors, such as the Puritans in the seventeenth-century, developed an effectively post-millennial optimism about improving life in this world induced by the spread of the gospel. Then the "great awakenings" in eighteenth century America seemed to open up the possibility that social change might have really begun to come through revival. This hope of social change through accelerating gospel advance finds modern expression in the Christian Reconstruction, or theonomist, movement in the USA. Gary North's "Action Manual for Christian Reconstruction", for example, begins by explaining that it is a book about "victory over the effects of sin in every area of life;" adding, "It can be done..."<sup>4</sup>

The second is liberalism. When all (or most) of the supernatural element of the gospel is removed, the focus of any remaining hope *has* to shift an earthly realm. "The Christian church in the past has taught us to do our work with our eyes fixed on another world and a life to come," wrote Walter Rauschenbusch; "but the business before us is concerned with refashioning this present world, making this earth clean and sweet and habitable."<sup>5</sup> Rauschenbusch seems to have placed more emphasis on the role of a spiritual relationship with God (however hazily conceived) as a necessity for change compared to his successors in the "social gospel" tradition. It would not be fair to call him entirely naïve about human nature, but he believes that within its limitations "the constitutional structure of the social order can be squared with the demands of Christian morality". He even goes so far as to say, "A Christian social order makes bad men do good things."<sup>6</sup>

The liberal perspective has obviously had a huge impact on the conduct of academic theology, especially on this side of the Atlantic. The extent to which evangelicals have borrowed theologically from the liberal emphasis on social action remains a contentious issue. On the one hand, the reaction of evangelicals to the liberal social gospel in apparently distancing themselves from social activity has been dubbed the "great reversal"<sup>7</sup>. On the other, the claimed rediscovery of a social conscience at

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<sup>3</sup> Calvin, *Institutes* IV. xx. 4.

<sup>4</sup> Gary North, *Backward Christian Soldiers? — An Action Manual for Christian Reconstruction*, Institute for Christian Economics, Tyler, Texas, 1984, p. ix.

<sup>5</sup> Walter Rauschenbusch, *Christianizing the Social Order*, Macmillan, New York, 1912, p. 42.

<sup>6</sup> *Ibid.*, p. 127.

<sup>7</sup> e.g. David O. Moberg, *The Great Reversal: Evangelism verses Social Concern*, Philadelphia and New York, J. B. Lippincott Company, 1972.

conferences such as Lausanne, 1974, and Grand Rapids, 1982, has been dubbed “the evangelical sell-out”<sup>8</sup>. But there is no doubt that the new enthusiasm for social action amongst some evangelicals shares some of the liberal optimism. “Christians can hinder social decay and dispel the darkness of evil,” writes John Stott, concluding that if “darkness and rottenness abound, it is largely our fault and we must accept the blame.”<sup>9</sup>

So we address the issue of social action at a time of renewed interest, emphasis and optimism from all parts of the theological (and political) spectrum. The theological basis for the hope that Christian action might affect social change varies widely. But the key question this hope raises is: does it in any way detract from the hope found exclusively in faith-union with Jesus Christ? Does it flow theologically from the hope found in Christ, or is it a dangerous distraction? Going over well-worn arguments on social action yet again may not seem like a fun use of time, but this is such an important question that it is imperative to think clearly on it.

The central claim of this paper is that given the seriousness of sin there is little hope of much improved social structures apart from that enabled by faith-union with Jesus Christ. However, sober expectations of social change do not exclude enthusiasm for social action, since the biblical motivation behind it is theocentric. To reach this conclusion, we shall have to think clearly on a number of related questions. What are the biblical controls on our expectations of social change? What is the right motivation for pursuing it? What are the right methods? But it may well be that some of the confusion surrounding the issue of social action arises from a lack of precision in defining exactly what we mean by a “social structure”. It is here we must start if we are to make any progress, and it will then be easier to proceed with other questions.

## ***2. Motivationally Compatible Social Structures***

What we need is a way of thinking about a social structures that is flexible enough to deal, on the one hand, with the unruly, dysfunctional effect on society that results from God removing the grace of human-divine relationship at the fall, and, on the other, with the transforming opportunities for society opened up as God calls his people out of darkness, bringing their will into line with his through faith-union with Jesus Christ.

To start with, we need to remember that a social structure is not like other structures: it is not an independent entity like a skeleton or the frame of a building. Take away the people from a social structure and there is nothing left. So it will not do to begin by thinking at an organisational or institutional level. Society is comprised of a group of people making interactive choices. This suggests the following definition:

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<sup>8</sup> John Woodhouse, “Evangelism and Social Responsibility”, *Explorations* 3, ed. Barry Webb, Lancer, Homebush West, 1988, p. 9.

<sup>9</sup> John Stott, *New Issues Facing Christians Today*, Marshall Pickering, London, 1999, pp. 74-75.

**Definition.** A *motivationally compatible* social structure is one in which each member of the society has chosen his or her preferred behaviour given the choices of other people (and is robust to minor inconsistencies).

That is, we suppose that people have preferences over different states of the world which tend to be the motivation behind their behaviour. These may well include “lusts” or “degrading passions” (Rom. 1:24, 26); or, indeed, by the mercies of God, preferences that “discern what is the will of God” (Rom. 12:2). We do not suppose that people always act consistently; rather that they are in a constant (sometimes futile) hunt for choices they are happier with. We focus on cases where such behaviour converges relatively quickly<sup>10</sup>. Some make their decisions outside a relationship with God; others make them within a relationship with God. The motivation behind choices will be fundamentally different between the two groups. This affects the actions taken, and so, therefore, the social structures, organisations and institutions that result.

It will be helpful later to distinguish how such structures might change. First, some portion of the society may change their preferred behaviour and this will automatically change the structure. We shall call this *direct* social action. Secondly, there are a great many different ways of arranging a society comprised of the same members<sup>11</sup>. It may be possible to shift the society from one stable arrangement to another. We shall call seeking to do this *indirect* social action.

This “bottom-up” way of thinking about social structures can be found in modern writers on game theory (the theory of interactive decision-making) such as Ken Binmore<sup>12</sup>. It can also be traced back to eighteenth-century skeptics such as David Hume<sup>13</sup>. Both write from a materialist perspective. Of course, we need to wary of using tools that may have been designed to suit particular atheistic biases or agendas. The key

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<sup>10</sup> To use the language of game theory, this definition picks out a subset of the Nash equilibria of a “game of life” in which people make *all* the social choices available to them. We select for equilibria that are asymptotically stable under some social learning dynamic. Given that we shall later be using this definition to pick out the best possible social structures in a given situation, the fact that assumes convergence, and is therefore not adequate to describe societies in high states of anarchy or turmoil, is not too serious.

<sup>11</sup> In game theoretic terms, since the “game of life” is a repeated game, there is a multiplicity of equilibria.

<sup>12</sup> Ken Binmore, *Game Theory and the Social Contract: Volume I, Playing Fair*, Cambridge, Massachusetts, MIT Press, 1994; Volume II, *Just Playing*, Cambridge, Massachusetts, MIT Press, 1998.

<sup>13</sup> David Hume, *A Treatise of Human Nature (Second Edition)*, Oxford, Clarendon Press, 1978. (Edited by Lewis A. Selby-Bigge. Revised by Peter Nidditch. First published 1739.)

thing to watch out for here is the interpretation of the preferences that motivate people's behaviour. The game-theoretic approach captures the idea that social structures emerge from the choices of interacting individuals. To the materialist commentator, these individuals have priorities that in themselves are ethically neutral, and can be used to construct social measures of morality, as in utilitarianism and egalitarianism. For the Christian commentator, the mechanism that produces the structures is similar; the interpretation quite different. The preferences and priorities of people who have rejected God for a lie are frequently perverse; and the effects can be seen in the clearly dysfunctional social structures that result. Moreover, the claim is that those in Christ, as the Spirit works within them, will have radically different priorities governing their behaviour relative to those around them — and this too will have a direct effect on social structure.

To those not used to thinking in a game-theoretic way, this may seem like an odd way of looking at society. However, it is sufficiently flexible to provide useful explanations of the workings of a diverse range of social structures. Everyone “doing their preferred behaviour” may sound like a gentlemen's agreement, a bourgeois utopia, but it can encompass virtually any social arrangement one can think of. Different patterns of behaviour can be supported by the very many possible systems of punishments and rewards that can credibly be incorporated into social structures. These may build into the fabric of social interaction at an individual level; very often they are also enacted by some third party — a magistracy. The possibilities are vast. Tyrannies can be motivationally compatible just as much as democracies. An oppressed slave living under tyranny would no doubt prefer a different social arrangement. However, given the credibility of the punishments facing him, he does the best he can for himself by complying with the status quo. But the approach also highlights the need to consider the preferences of the magistracy themselves. For a structure to be sustainable, *everyone* needs to be acting in a way that is consistent with what he desires under the constraints imposed by other people's choices.

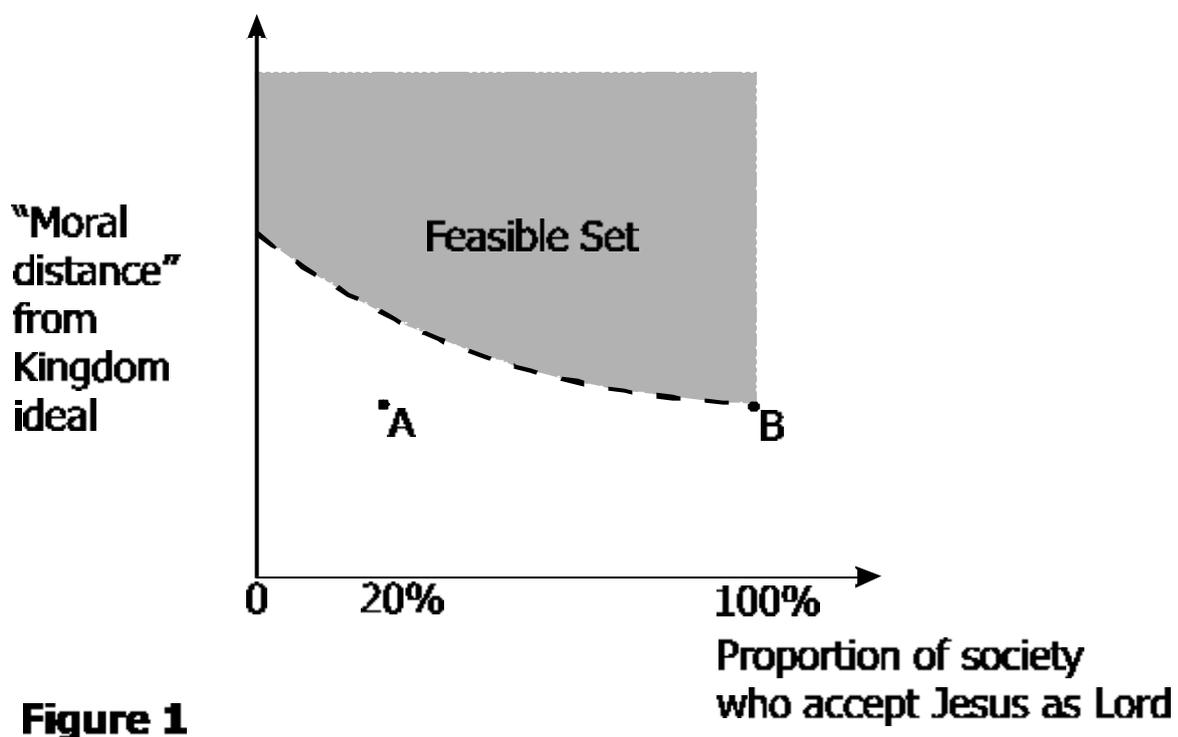
### **3. Feasibility**

The most important benefit of this approach for the Christian commentator is that it helps us to think clearly about the *feasibility* of social structures. One criticism we might make of alternative Christian approaches to society — whether they be founded in the doctrines of Creation, Law, Kingdom or Resurrection — is a tendency to de-emphasise the *fall*, which surely provides the background to the social context in which we live. After all, the expulsion from the garden in Genesis 3 was a purposeful act. It was an act of justice, separating God from the wickedness of humanity. Humanity has, to use Paul's expression, been “given over” to face the consequences of its choices (Rom. 1:24, 26, 28)<sup>14</sup>. However, the approach we have adopted makes it relatively easy to think

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<sup>14</sup> We need to be slightly careful here because, in principle, it *is* possible to exaggerate the social effects of the fall. We need to remember that it was also an act of mercy, being only a *partial* separation. Humanity is not, by the grace of God, as bad as it could

about the social effects of the fall, and what sort of societies will emerge in the unseemly free-for-all between people exiled from the relational presence of God. Let us suppose that for every social structure we can come up with some measure of its “moral distance” from a Kingdom ideal. Given the biblical data on the seriousness of sin, we can see that individuals “given over” by God will have a profoundly destructive effect on the social structures influenced by their choices. While some social structures may be better than others, the moral distance of even the best from the ideal will be very high indeed. The possibilities in a society where some have submitted to the Lordship of Christ will be better, of course: obedience to the truth opens up the way for authentic mutual love (1 Pet. 1:22). If they live up to their calling, their choices will have a directly constructive social effect; but of course there are limitations on how much they can influence the choices of others.



We can summarise these observations in a diagram illustrating what is morally feasible in post-fall social structures, as in Figure 1. The dotted line represents the boundary of what is possible. We could debate how steep this line should be: it depends on the tension between the liberating effects of conversion and the reality of indwelling sin. (Luther, had he been keen on drawing, would probably have had it virtually flat.) It cannot be stressed too highly that in no way is this boundary an attempt to impose an arbitrary constraint on a sovereign God. Rather, it is a constraint on society imposed by the character of God himself, as he removes grace from those who have rebelled against him, leaving them under his wrath as they work out the socially destructive consequences of their sin. His promise to do so (Gen. 2:17) was good and just; he

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possibly be. But it is bad enough, and our natural tendency is surely to underestimate this.

cannot therefore justly restore the grace of relationship outside faith-union with the substitute who takes his wrath in their place.

So the main point of talking about feasibility is to avoid the danger of a adopting a hope that is distinct from that found in Jesus Christ. The liberal social gospel is clearly guilty on this score. Post-millennialists also need to be careful to explain the basis of their optimism for social change. Christian reconstructionists are adamant that they do not seek social transformation apart from the progress of the gospel<sup>15</sup>. However, the label “reconstructionist” itself implies a *primary* emphasis on social transformation, and if the link to gospel and post-millennialism is missed out or under-emphasised, then it can sound pretty much like a right-wing variation on the liberal view. That is, reconstructionists need to stress that they are working with God towards a society at B in Figure 1, rather than one at, say, point A. Moreover, being realistic about feasibility reduces the danger of disappointment and false guilt from expecting radical social change in excess of that enabled by the progress of the gospel. John Stott bases his optimism on the efficacy of Christian influence on the “salt and light” metaphors that open the Sermon on the Mount<sup>16</sup>, but it is unfortunate to suggest that if “darkness and rottenness abound”, it is *largely* the fault of Christians, who must then accept the blame. There are limitations on what can be done socially in a post-fall world, so that it is dangerous to make social transformation the *goal* of social action — which is why we need to return to the more theocentric biblical motivations.

#### **4. Motivating Social Action**

A common criticism of maintaining a pessimistic anthropology is that it inevitably leads to quietism<sup>17</sup>. Certainly it suggests that expectations of massive social change are a poor motivation for social action; but it does not necessarily rule out the possibility of finding motivation elsewhere. A central claim of this paper is that a very potent *theocentric* motivation for social action can be found at the points at which the

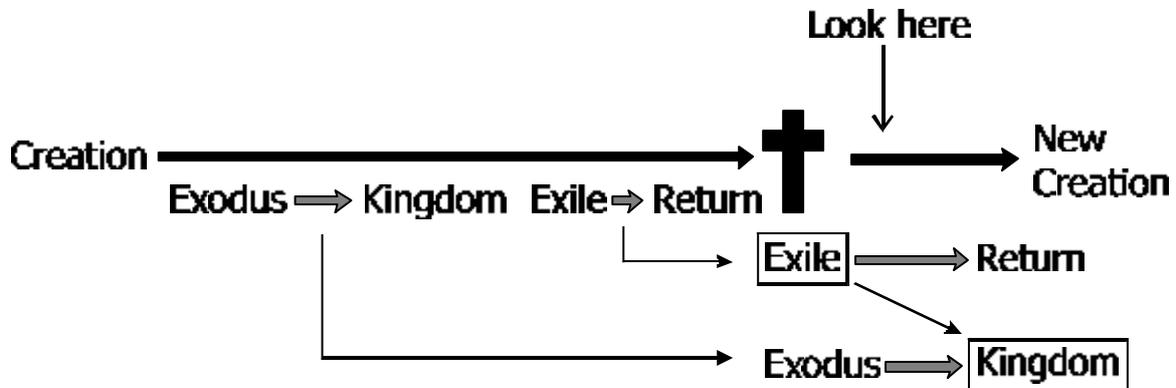
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<sup>15</sup> e.g. “It must be stressed that the creation of a Christian nation could be accomplished only as a result of the widespread work of the Holy Spirit, not through some bureaucratic top-down, coercively imposed order on a non-Christian majority by a Christian minority,” Gary North, *Healer of the Nations*, Tyler, Texas, Institute of Christian Economics, p. 34.

<sup>16</sup> Following many others, Stott takes salt to be a reference to the preservative function of Christians in society. However, the immediate context, and some key Old Testament precedents, suggest rather that salt is a reference to the durability of the covenant: “as ‘salt’ the disciples are to be a continuation of Israel’s vocation to be a ‘light to lighten the Gentiles’”, David Peterson, “Jesus and Social Ethics”, *Explorations* 3, ed. Barry Webb, Lancer, Homebush West, 1988, p. 82-83.

<sup>17</sup> e.g. Roy Clements, “Answers to Objections to a Biblical Approach to Social Issues”, Appendix A of the *Jubilee Ethics Correspondence Course 1.1*, Cambridge, Jubilee Centre, 1978.

New Testament accounts move from the theology of the good news of Jesus Christ to its practical outworking for the Christian community. Why focus down so selectively? The reason is that we need to be sensitive to the progressive nature of the revelation that culminates in Jesus Christ. This involves some subtleties.



**Figure 2**

The first subtlety is that we need to be aware of how the key historical types presented in the Old Testament are fulfilled in Christ. In particular, as in Figure 2, we need to show how Christ recapitulates the history of redemption from Exodus to Davidic Kingdom (as true sacrifice and everlasting king), and also marks the true return from exile (which is how the gospel accounts open). Of course, talk of “fulfillment in Christ” can be used to avoid the primacy of the Law as moral revelation. It can be a sort of theological “black hole” into which the sure and perfect statutes of God disappear. We shall find that the New Testament authors will not let us get away with such an abuse. But we also need to remember the *failure* of the Old Covenant and the inadequacy of the return from exile. Even though the Law took some account of the hardness of human hearts, it eventually proved infeasible. This was no accident, of course. The greater reliance on human ability in the type (especially human intermediaries: prophets, priests and kings) resulted in a kingdom that crumbled, a damp squib of a return from exile. The failure accentuates the necessity, sufficiency and centrality of Jesus Christ in the anti-type, whose work results in an everlasting kingdom, a certain return to the relational presence of God.

The second subtlety is that there are realised and unrealised aspects to the fulfillment of these types in Christ. Of particular significance to social issues is the fact the social context in which the people of God live now very closely resembles that of the exile (1 Pet. 1:1), with the final consummation of the kingdom lying in the future. In addition to the issue of infeasibility, this makes the *direct* application of the Law to national issues — in a way that by-passes New Testament motivation and application — highly problematic.

Given these subtleties, it is surely wise to sit under the way these issues are handled in Scripture itself. That is, there are clear answers to the question how the followers of Christ, who is the climax and culmination of God's revelation, should respond to the gospel in an exile-like social situation. This gives us a biblical balance between the realised and unrealised aspects of the fulfillment of the Law in Christ.

### *Turning Points*

We find two categories of motivation in the New Testament accounts. The first is internal in its orientation to the Christian community. That is, it is concerned with internal consistency: bringing the priorities, and hence the behaviour, of the community in line with what God *has* made them in Christ, and what God *will* make them when the Kingdom is consummated. This seems to be a particularly Pauline theme (Rom. 12:1-2, Eph. 4:1, Phil. 1:27, Col. 3:1-4, Tit. 2:11-14). It picks up on the motivation placed at the corresponding point of the old covenant type, responding to the grace and mercy of the Exodus, to "be holy, for I am holy"<sup>18</sup>. The second concerns the external orientation of the Christian community to the society they interact with. Since that is also our present interest, it is worth looking at this category more closely.

Jesus' application of the Law to his disciples in Matt. 5:17-7:12 is preceded by this motivating statement:

"...let your light shine before men, that they may see your good deeds and praise [glorify] your Father in heaven" (Matt. 5:16)

That is as God's new enduring covenant people, they are to be a light that induces the nations to glorify God. Or consider this, from John's gospel:

"...This is to my Father's glory, that you bear much fruit, showing yourselves to be my disciples." (John 15:8)

Finally, Peter reassures the Christians of Asia-Minor that despite their exile-like social condition they have indeed received the "true grace of God" (1 Pet. 5:12), and that their context gives them this opportunity:

"Live such good lives among the pagans that, though they accuse you of doing wrong, they may see your good deeds and glorify God on the day he visits us." (1 Peter 2:12)

To these we might add Paul's concern for good living so that "no-one will malign the Word of God" (Tit. 2:5; also verses 8 and 10).

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<sup>18</sup> Thus the keynote phrases in Leviticus chapters 17-26 are "I am the LORD" (repeated many, many times), "I am the LORD your God", and "I am the LORD your God; sanctify yourselves therefore, and be holy, for I am holy" (19:2; 20:7-8, 22-26).

It is worth noting that neither category of motivation is contingent on the success of Christian influence in actually changing the world. Rather than an anthropocentric focus on social change, we have a theocentric desire to align with the will of God and proclaim his glory. This is entirely consistent with the pessimistic anthropology we find elsewhere in the Bible.

That the glorification of God provides the basis for changed priorities and behaviour in the Christian community — what we dubbed earlier *direct* social action — helps us to see how such action relates to evangelism. After all, it is evangelism that “springs to mind as the means by which God’s light shines forth”<sup>19</sup>. In the Synoptic gospels it is primarily miracles that point to the Kingdom that induce glorification<sup>20</sup>. In John, it is the cross-resurrection-exaltation<sup>21</sup>. Proclamation of the Kingdom enabled by the death, resurrection and exaltation of Jesus must surely then take precedence as means of glorification. Nevertheless, Christians living in the world are involved in many different forms of interaction with the societies they are part of, and Jesus and his apostles are keen for them to use every such opportunity for God’s glory.

## 5. *Methods of Social Action*

### *Policy Prescription and Indirect Social Action*

Not only do the New Testament texts provide a clear, theocentric motivation for social action, they also go to talk about how to do it in practice. Earlier we distinguished between *direct* social action, resulting from some members of society changing their priorities, and *indirect* social action, whereby society is prompted to shift from one stable arrangement to another. The New Testament focus seems to be exclusively on the former. This is in striking contrast to contemporary approaches to social action, where the focus is almost exclusively on policy prescription asserted by political activity of one form or another. Is this simply because the New Testament authors were addressing people who happened to have very little potential to influence the magistracy? Well, when Paul found himself close to the magistracy of Rome (Phil. 1:12-14, 4:22), lobbying for social change does not seem to have been *his* first concern. Is there, then, no mandate for such activities?

It does not seem quite right to say that the authority over the nations given to Christ following his resurrection and at his exaltation automatically gives his followers the right to *assert* his rule in the world, if by this we imply some sort of coercion. It is for Christ himself to assert his authority in this way, and it seems this will occur

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<sup>19</sup> David Peterson, *op. cit.*, p. 83.

<sup>20</sup> Mt. 9:8, 15:31; Mk. 2:12; Lk. 5:25-26, 7:16, 13:13, 17:15, 18:43.

<sup>21</sup> Jn. 7:39, 8:54, 12:16, 12:23, 12:28, 13:31-32, 17:1-5.

climactically at the final judgment. However, there is obviously a clear mandate to *proclaim* his authority in the light of that judgment (Acts 10:34-43), passing on God's command for

...all men everywhere to repent. For he has set a day when he will judge the world with justice by the man he has appointed. He has given proof of this to all men by raising him from the dead. (Acts 17:30-31).

Policy prescription, appropriately phrased, could form a part of this. We might call this "first-best" policy prescription. That is, this is policy prescription that is self-consciously *infeasible* at a given moment, given human sin. It is a thought-experiment that makes a very strong "charitable assumption" on the numbers confessing allegiance to Christ and the degree of indwelling sin. For it is not intended to be descriptively realistic (although it may become closer to being so under a post-millennialist scheme); rather, it is designed to highlight the gap between what God requires from a social point of view and what actually happens in practice. "To all perfection I see a limit, but your commands are boundless", as the Psalmist puts it (Psalm 119:96). This is not social action as we have defined it, since the aim is not social change. The aim is to glorify God through the proclamation of his gospel. If God in his mercy calls individuals to repentance through such a proclamation, this may result in *direct* social change, but the change could be entirely unrelated to the policy being prescribed.

There is a potential partnership here between the hermeneutical tools that have been developed by Christian economists and other commentators to determine first-best social policy in a contemporary context, and the neoclassical methods of mainstream economics. This would require some working out. To begin with, one would have to choose from one of the many methods on offer: the institutional-style approach of the Dutch Calvinist school<sup>22</sup>, the middle axioms of Ronald Preston<sup>23</sup>, the derivative social principles of Donald Hay<sup>24</sup> and Brian Griffiths<sup>25</sup>, or the paradigmatic approach exemplified by Chris Wright<sup>26</sup> and the Jubilee Centre<sup>27</sup>. It is perhaps the latter which gives the greatest precision in forming policy from the biblical data, but then maybe

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<sup>22</sup> e.g. Alan Storkey, *Transforming Economics*, London, Third Way Books, SPCK, 1986.

<sup>23</sup> Ronald Preston, *Religion and the Ambiguities of Capitalism*, London, SCM Press, 1991.

<sup>24</sup> Donald Hay, *Economics Today: A Christian Critique*, Leicester, Apollos, IVP, 1989.

<sup>25</sup> Brian Griffiths, *Morality and the Marketplace: Christian Alternatives to Capitalism and Socialism*, London, Hodder and Stoughton, 198.

<sup>26</sup> Chris Wright, *Living as the People of God: The Relevance of Old Testament Ethics*, Leicester, IVP, 1983.

<sup>27</sup> Roy Clements and Michael Schluter, "Jubilee Institutional Norms: A Middle Way between Creation Ethics and Kingdom Ethics as the Basis for Christian Political Action", *The Evangelical Quarterly* 62:1, 1990, pp.37-62.

precision is not a primary concern when the aim is to expose something glaringly obvious like social failure. But coupled with neoclassical methods — which, appropriately used, can be potent in exposing the practical consequences of egoism<sup>28</sup> — these methods could usefully expose the gap between requirement and practice as part of a gospel presentation.

But is there also a biblical mandate for what we might call “second-best” policy prescription? That is, policy prescription which, informed by the Law, aims for feasible changes — movements towards the boundary of Figure 1? We have the Old Testament examples of Joseph and Daniel, who clearly gave glory to God with the wisdom of their feasible policy advice. Daniel, in particular, is responding to the command of God given through Jeremiah to

seek the peace and prosperity [*šālôm*] of the city to which I have carried you in exile. Pray to the LORD for it, because if it prospers, you too will prosper. (Jer. 29:7)

It is striking that when the command to pray for the secular authorities is repeated to New Testament “exiles”, the emphasis is rather on a favourable environment for gospel proclamation (1 Tim. 2:1-4). However, there is a sense in which second-best policy issues are unavoidable for the Christian with input to magisterial decisions; in a modern democracy, that includes all of us to a greater or lesser degree. There is scope here to love one’s neighbour indirectly, by restraining wickedness, encouraging good and maintaining order. To follow the example of Daniel, such decisions must surely be steeped in a deep understanding of the Law if they are to move social structures closer to the boundary of what is feasible.

The danger, of course, is that second-best Christian policy advice becomes indistinctive. Sadly, what we observe in practice is a diverse range of “Christian” policy that has bought into just about every possible political perspective, each failing to be distinctively Christian. There is an almost universal failure to place policy in a gospel package. By avoiding the issue of feasibility, policy prescription fails to proclaim the seriousness of sin. This is far from saying that both first-best and second-best policy advice are indefensible. We can say: *this* is what God requires (first-best) — and you will be held accountable for it; *this* is what is feasible given human sin (second-best) — it is better than the alternatives (although it still falls far short of what is logically possible). But unless policy prescription is clear about the assumptions being made, and unless it is clearly paced in a gospel context, it will fail to point people to the only enduring example of social change, fulfilled via Jesus Christ in the Kingdom of heaven.

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<sup>28</sup> e.g. Ben Cooper, “Futile Growth and the Economics of Ecclesiastes”, ACE Journal No. 25, 1998.

*Direct Social Action*

That the ethics of the New Testament are exclusively concerned with what we have described as *direct* social action may be something of an embarrassment to those in search of a wider mandate, but this is to underestimate their power. Unlike indirect social action, which *may* result in limited social change, direct social action is always feasible. There is always something concrete to which one can point to: we are in the realm of real rather than hypothetical choices. Moreover, the fear that direct social action is too parochial, that is incapable of addressing the sheer scale of social problems, is easily exaggerated. If a particular Christian behaviour is feasible in the wider community, then it can easily spread — all the more easily if it has been seen working in practice. Direct social action is often capable of doing what indirect social action aims to do, shifting societies to different and better stable arrangements through a process of imitation.

The potential efficacy of direct social action for wider social change receives some support from the large literature on long-run equilibrium selection in games. For games that have multiple equilibria (i.e. in most games), this asks which one the players will spend most time in over the long-run, if they learn how to play by some social dynamic (such as imitation or trial-and-error). A major criticism of this literature was that it might take a ridiculously long time for the pattern of play to get from one stable arrangement to another. This was until it was noticed that if the players interact locally, pockets of alternative behaviour can become established at one place and then spread quite rapidly to other areas<sup>29</sup>.

There are limits to the wider efficacy of direct social action, of course. We have already talked at length about feasibility. And not all social behaviour involves local interaction. Driving is one example where one interacts with people drawn, in effect, randomly from a large and anonymous global population. (It would take more than all Christians obeying the speed limit to change social conventions regarding speeding.) In any case, since the biblical motivation behind direct social action is theocentric rather than anthropocentric, one should not expect it necessarily to result in a better social arrangement for the people concerned. If social action is successful in presenting good deeds that such that all will “will glorify God on the day he visits us”, the world around may well be hardened by it: they may well still “accuse you of doing wrong” warns Peter (1 Pet. 2:12). In other words, successful direct social action may, by inciting envy and persecution, make the immediate social situation worse rather than better.

Commentators on social issues used to writing on policy from a Christian perspective may feel that their specialist tools are inappropriate for the task of

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<sup>29</sup> See, e.g., Glenn Ellinson, “Learning, Local Interaction and Coordination”, *Econometrica* 61, pp. 1047-71.

equipping people for direct social action, but that would be mistaken. They do have, after all, some expertise on the world that Christians are called to interact distinctively with.

From the field of game theory, for example, the concept of a *signalling game* is a very useful one in thinking about how Christian behaviour may reveal the character of God. A signalling game is a game<sup>30</sup> between two players, a sender and a receiver. The sender can be one of several different “types”, but this is unknown to the receiver. The sender sends a message, by performing some action for example, and the receiver responds. The receiver’s response will obviously be affected by his or her beliefs about the sender’s type. A *pooling* equilibrium is a consistent pattern of play where each type of sender would send the same message. In a *separating* equilibrium, however, different types send different messages, and hence perfectly reveal who they are<sup>31</sup>. Now let us suppose that we divide the senders into Christian types and non-Christian types. The question we can help Christians in real interactions with the world to answer is: what priorities they should have in that particular situation to result in a separating equilibrium that successfully reveals their type and some of God’s character?

It is worth looking at some examples. In Matthew 5:43-47 (cf. Luke 6:27-36), Jesus talks about social interaction with pagans at a high level of generality in a manner reminiscent of the modern debate on altruism<sup>32</sup>. Any altruism we might observe between unrelated egoistic humans is usually explained as *reciprocal* altruism. This is “altruism” that is conditional on future cooperation; it is maintained by the threat of non-cooperation should anything go wrong (verses 46-47). In the real world, of course, things frequently go wrong, and the breakdown of such behaviour is a key feature of pagan society. The question for the Christian in such a world is what priorities should they have to make their good deeds clearly visible? There are two approaches one can take. The first is to imitate God; in particular, his unconditional common grace (verse 45). That is, be different from a pagan by loving unconditionally. The second is to think through what it means to love your neighbour (verses 43-44) such that you do to them “what you would have them do to you”—which is given as a summary of Jesus’ teaching on the Law in the sermon in 6:12. Pagans would no doubt prefer Christians to behave lovingly to them; being *sympathetic* to them gives the right behaviour. Interestingly, if we model such interaction as a signalling game, both approaches result in a unique separating equilibrium in which the Christian is clearly differentiated. Notice too that both approaches involve the Christian undergoing a change from his or her pre-Christian priorities. This change is only finally vindicated in heaven; what may seem like a bad

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<sup>30</sup> Formally, this is a dynamic game of incomplete information.

<sup>31</sup> Similarly, with more than two types, one can have semi-pooling or semi-separating equilibria.

<sup>32</sup> For a brief introduction, see Ben Cooper, “Evolutionary Ethics”, *Kategoria*, Issue 16, 2000.

outcome now is proved right there. This is at least one way that distinctive Christian behaviour receives a reward in heaven<sup>33</sup>.

Jesus' teaching gives us a very general way of thinking about distinctive Christian interaction in a pagan world and can be applied to a wide range of specific examples. But there are plenty of other pointers to distinctive direct social action in the ethical sections of the New Testament. In modern economics, for example, behaviour in the workplace is often modeled as a *principal-agent* game. A principal (the employer) tries to provide incentives for a naturally lazy agent (the employee) to exert high effort even if he or she cannot be monitored all the time. Passages such as 1 Peter 2:18-25 give us the appropriately distinctive Christian behaviour: high effort even under conditions of bondage and injustice, in imitation of the unjust suffering of Christ. Similarly, in marriage, so fragile in the wider world, Christians have a powerful opportunity to signal the unconditional faithfulness of Christ to the church (Eph. 5:22-33). There would seem to be plenty of scope here for a powerful prophetic role for Christian commentators on society (prophetic in the New Testament sense of applying the open message of the gospel to real-life situations). As we saw above, giving policy advice from a Christian perspective may be a sound activity, but it is tiresome if no-one wants to listen. Equipping Christian disciples in their interactions with the world is surely a very valid alternative.

## **6. Conclusion**

The case for theocentric social action rests primarily on the seriousness of sin. The social destructiveness of sin makes futile the anthropocentric hope that it might be possible to largely transform a society in which a large contingent remain alienated from God. Radical change is certainly impossible apart from the progress of the gospel, and even then it is limited by indwelling sin. However, holding fast to the pessimistic anthropology of the Bible certainly does not entail a passive attitude to social issues. The motivation for action in the Bible is consistently theocentric. It focuses on internal consistency given God's saving grace, and on the glorification of God through distinctive good deeds. Social action does not have to rest on the hope of radical social change.

While the focus of the New Testament is on *direct* social action, as the will of the Christian community is drawn into line with the will of God, there may still be a valid place for the policy prescription that dominates contemporary Christian discussion of society. It perhaps needs to be more aware of the issue of feasibility, and more clear in its purpose — making sure that purpose is a gospel purpose. However, the contemporary balance between direct and indirect social action is the exact opposite of that we find in

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<sup>33</sup> Even if there are no supplementary bonuses on the last day!

the Bible. There is surely scope for more social commentary that reflects the biblical emphasis.

# DEBT AND DEVELOPMENT AFTER JUBILEE 2000

**Robbie Mochrie, Heriot-Watt University**

## *1. Introduction*

A striking feature of the development economics literature is the infrequency of papers appraising the series of programmes that have sought to encourage the restructuring of highly indebted poor countries' economies through reforms accompanied by debt cancellation. There is a literature upon debt cancellation, associated particularly with the well-known arguments of Krugman (1988) and Sachs (1989). Calvo and Kaminsky (1991), Fernandez-Ruiz (1996) and Menzies (2000b) continue this tradition. And there is of course an extensive literature appraising the success of adjustment programmes promoted by the IMF and the World Bank, Collier (1997), Killick (1997), Mosley, Harrigan and Toye (1995) being good examples of these. Although rarely brought together in the literature, debt cancellation conditional upon the adoption and implementation of policy reform has been central to international policy since the launch of the Highly Indebted Poor Countries' Initiative in 1996.

The very well coordinated, global Jubilee 2000 campaign has been the focus of public comment on this programme. Yet academic economists have rarely entered this debate. This is an important gap. In the absence of a carefully reasoned critique, naïve and generally well-intentioned proposals have been widely accepted without the scrutiny that they deserve. Menzies (2000a) was a very useful paper in seeking to address the rhetoric of the Jubilee 2000 Coalition, not least because it drew attention to the lack of a coherent ideology uniting the members of that Coalition. Allen and Weinhold (2000) serves a similar role, but from the perspective of political theory.

This paper assesses the contribution that this global coalition has made to public debate and understanding of the possible causes and solutions to problems of extreme poverty, particularly as these are associated with high levels of sovereign indebtedness. It also explains the reluctance of international financial institutions to adopt the proposals of the international coalition in their entirety, on the grounds that these are not well founded. However, the Coalition has been able to command widespread support for its position through political pressure, so that political leaders can no longer simply ignore calls for further reform. We might treat the campaign as enabling those voices within international institutions that have been supportive of attempts to accelerate reform to achieve that objective.

## *2. The contribution of economists to the debate on debt cancellation*

Debt cancellation would appear to be a topic ripe for study by both economists and political scientists. For a number of reasons, economists have played a relatively small role in public debate on this issue. The first reason is quite simply that economists

have little to say that accords with the terms of this debate. This seems, perhaps necessarily, to have become stylised, with a variety of agencies seeking to portray multilateral financial institutions as being culpable for the ongoing debt crisis. I shall examine such claims in more detail below. There is, however, a certain irony that some of the most far-reaching proposals for reform have come from economists, such as Kanbur (2000), Meltzer *et al.* (2000), and Sachs *et al.* (1999). But where these economists might argue for extensive debt cancellation, they argue that it is also necessary for there to be extensive political and economic reform of HIPCs if they are to return to sustainable growth.

This is not to say that there is simply a consensus among economists on the subject of debt cancellation. Easterly (1999) is the pained response of one of the World Bank's most thoughtful economists to the extension of funding of the HIPC Initiative. He argues that debtor states continuing to fund government programmes through borrowing demonstrate a very high rate of inter-temporal substitution. Such governments would be likely to borrow excessively to fund current consumption, and fail to pay sufficient attention to the costs of adjusting future consumption when debt repayments fall due. Slackening such a government's inter-temporal budget constraint through debt cancellation would lead to further borrowing, and further demands for debt cancellation. On the other hand, Allen and Weinhold (2000) argue that the positions of the multilateral financial institutions and the Jubilee 2000 campaign are converging, with the campaigners accepting the quiet realism of economic analysis. This may well be an exaggeration. But Allen and Weinhold are surely correct when they say, "Jubilee 2000's arguments have been essentially moral and politically strategic." As a result, they do not connect well with economic analysis, limiting the potential for economists to respond meaningfully to them.

### *2.1 Latin America and African circumstances*

My second reason for supposing that economists have had little to contribute is quite speculative. Work on debt cancellation first became important in the 1980s when a number of Latin American countries threatened to default upon debt payments. These countries have large economies, considerable debt management abilities and extensive assets. Consequently, they were able to contract debts large enough for their default to have a considerable impact upon the global economy. The threat of default led to large-scale debt management plans sponsored by US Treasury Secretaries Baker and Brady. Note however, that the purpose of these plans was to permit debtors once again to have access to global financial markets and to raise new borrowing.

In contrast, HIPCs have very small economies, tend to lack functioning capital markets and investment institutions, and, even if they are very severely indebted according to a debt to GDP ratio, are small debtors in absolute terms. Many of them have not been able to raise funds through capital markets for many years, and their borrowing is now dominated by bilateral and multilateral official debts. Their default would not have the same global repercussions as that of large middle-income debtors.

Problems associated with the indebtedness of the larger countries attracted economists to study them. A search of the *Econlit* database on the keywords ‘debt’ and Latin America generates 723 articles since 1983, the year after the Latin American debt crisis began. Over the same period, a search on ‘debt’ and ‘Africa’ yields 300. Dividing the period 1983 – 2001 into three-year segments, the peak period for publication on Latin America was 1989 – 1991, with 199 publications. In contrast the peak period for Africa was as late as 1995 – 1997, with 82 publications. In no period did the rate of publication on Africa exceed that of Latin America, suggesting that the problems of the highly indebted poor countries, which have emerged over the last twenty years, have never attracted any great concentration of effort on the part of economists. While there is no doubt an interesting paper to be written on this matter, my concerns here are rather different.

## *2.2 The debt overhang theory and corporate bankruptcy*

My third reason for there being surprisingly little input by economists in this very public debate relates to the last point. Economists use models that are not really appropriate for dealing with the problems of HIPCs. The standard explanation of sovereign indebtedness is the debt overhang of Krugman (1988) and Sachs (1989), devised in response to the Latin American debt problem and more suited to the sorts of problem facing middle income countries that already have access to global financial markets to raise funds.

In this model, a country has already contracted debts. However, an unfavourable state of the world has arisen, and projects already begun have not generated the expected cash flow. The country is therefore unlikely to be able to service debt repayments as they fall due. So default is expected in the future. We assume that if a country defaults, all of its debts will be affected, so that where default is expected, but has not yet happened, new projects will be less likely to attract external financing. Potential creditors will expect to receive only a dividend rather than full repayment. Were the country to reach an agreement with existing creditors to write down the outstanding debt and refinance existing debts then new projects would again appear to be viable and funding would be obtained. Cancellation in association with new lending would increase the surplus of the creditor, and cancellation would benefit both creditor and debtor. Such a process allows a country to obtain many of the benefits of bankruptcy proceedings in commercial law, but through a process more akin to a voluntary composition with creditors.

An analogy with commercial bankruptcy might be quite useful. In UK law, there are two very different types of court-directed process for the recovery of debts, receivership and liquidation.<sup>1</sup> Receivership offers a company protection from creditors

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<sup>1</sup> In the USA, the approximate equivalents would be Chapter 11 and Chapter 7 bankruptcy.

while it reorganises its business and its financing, although as noted below, it is initiated by creditors (unlike a Chapter 11 filing) for their benefit. It enables a company that has a viable business, but which is currently illiquid, to return to profitability. Liquidation takes a number of different forms, but the main use is to wind up the assets of a company that is no longer able to trade profitably. It is therefore appropriate where the firm would not be able to meet its commitments to creditors in the future were it allowed to continue trading, even after a financial restructuring. In many cases where a receiver is appointed by a creditor, the court will later need to confirm him as a liquidator, acting on behalf of all creditors in final winding up of the company's affairs.

In this context, Schaffer (1998) studying the role of reorganisation and winding up procedures in the context of transition in Eastern Europe, uses operating profit as a criterion of enterprise viability, suggesting the following policy rule for dealing with formerly state owned enterprises. Those making net profits are plainly viable; those making operating profits but net losses after financing costs are potentially viable, but need assistance through reorganisation; and those making operating losses are simply unviable and should be shut down. Another way of examining this problem would be to ask whether a enterprises add value through their use of inputs.

Viability has to be determined over a period of time, rather than at a point in time. A company can continue trading while insolvent, although in the UK, it is a criminal offence for its directors to permit this, since they know that there is at least a risk that they will not be able to repay their creditors. While an insolvent company will have negative net assets and so would be unable to meet all of its obligations in full either now or at any point in the future, it will continue to have assets which it can use to try to trade out of its present difficulties. For example, a company that has lost a major source of revenue because of unfair competition by a competitor may seek to continue trading, even though its only hope of a return to viability is in the successful outcome of a court case seeking damages from the competitor.

The debt overhang problem is therefore appropriate only to a situation where a country faces problems of liquidity. The exclusion of HIPC's from primary capital markets and their consequent dependence upon external financing in the form of grants and concessional loans, as documented in World Bank (2000), together with the well-known arguments about the failure of conditionality, presented by Killick (1997), Collier (1997) and Mosley, Harrigan and Toye (1995), suggest that this is not a simple matter of a debt overhang. Rather, there is a problem more akin to insolvency.

### *2.3 Some suggestions for future work*

It is now twenty years since the World Bank published the Berg Report<sup>2</sup> that argued for a reappraisal of relations between rich and poor countries, and an examination of the role of aid and debt in supporting economic development. In those twenty years,

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<sup>2</sup> World Bank (1981)

the share of non-concessional in total lending to HIPCs has fallen from just over 50% to just under 20%, the share of multi-lateral lending has increased from about 35% to about 83%, and private creditors' share in total lending has fallen from just over 30% to around about 7%. Easterly (1999) has shown that HIPCs continue to receive a disproportionate share of funding given their population and their state of development.

This observation is consistent with work that has sought to identify necessary conditions for external support to be effective in promoting economic growth. Burnside and Dollar (1997) have argued that aid is effective in promoting growth in the presence of a good policy environment, but that aid itself does not encourage the improvements in the policy environment. Collier and Dollar (1999) have argued that the current aid allocation is not consistent with governments' stated objective of poverty reduction. They define an index of good policy, and show that aid should increase with the quality of policy. They also show that while aid increases with quality for poor policy environments, it then falls with further improvements in the policy environment. They therefore suggest that aid tends to taper out across the range of policy environments where it would be most helpful in reducing poverty.

It is easy to offer reasons for deviations from such 'poverty-efficient' allocations of aid. Collier and Gunning (1999) do so in terms of the decision of the IMF to determine fiscal deficits exclusive of grants and the grant element of concessional lending. Noting that the IMF will tend to become involved with a country during a period of financial crisis, they argue that in the post-stabilisation period, the IMF will tend to seek continued reduction in deficits, which places pressure on countries to taper out aid and concessional lending just at the point where it is possible for it to be used most effectively.

An alternative explanation would build upon our understanding of soft budget constraints. Among HIPCs, strong payments discipline is associated with low dependence upon external funding, and the virtual elimination of soft funding through the use of debt arrears and debt reschedulings. In Mochrie (2000), I have used such data to argue that there is debtor control of lending relationships, with HIPCs able to influence the terms of borrowing considerably, rather than having to accept the terms offered by public institutions. While further work is necessary to substantiate the robustness of this conclusion, it is certainly consistent with Easterly's hypothesis that HIPCs have often been treated rather leniently.

The presence of debtor control of lending relationships could mean that multilateral institutions offer countries lacking the appetite and capacity for reform the resources considered necessary to stabilise tense political situations. The model of latent social conflict used by Rodrik (1999) is helpful here. Suppose that a country suffers from deep political divisions. So long as certain conditions are met, say that the level of national income does not fall below a critical level, then those political divisions will remain latent, and the country can maintain a balanced growth path. But if income falls, perhaps as the result of a shock, then social conflict will take place, with

groups seeking to obtain as large a share as possible of the reduced wealth, and this competition for resources reduces wealth further. In the context of HIPC's, we might imagine civil war to be the most extreme form of social conflict. Wishing to prevent this happening, external organisations may choose to intervene to support the economy, calculating that the cost of preventing social conflict will be rather lower than the cost of resolution. However, this opens up the possibility of countries failing to implement reform in order to continue receiving external support.

Lastly, the analogy with corporate insolvency might have a rather uncomfortable conclusion. Suppose that all of the debts of a state were to be discharged, and the state were to be so riven by social conflict that it would most likely once again become deeply indebted. Such a state could reasonably be described as being unviable. Pushing the analogy to its very limit, we might wonder if such states should be wound up, with their assets being acquired for other purposes. For many reasons, we seem to be unwilling to contemplate this possibility. However, the logical conclusion of following it through would be for some other country or group of countries to acquire the territory of the bankrupt state, perhaps rather as the Reich was dismembered by the victorious powers in 1945, seeking to restore civil government where it has collapsed. Perhaps some of the wars that we observe in Africa at the present time can be explained at least in part as piecemeal, private attempts to undertake such projects.

### ***3. A critique of the Jubilee 2000 Coalition***

The origins of the Jubilee 2000 Coalition are outlined in Peters (1996). However, this piece was written shortly before the formation of the Coalition, and well before the establishment of the global campaign, which has had such a large effect upon public discourse over the last few years.<sup>3</sup> The Coalition's nature has therefore changed considerably since Peters' article was written. Its main purpose, the seeking of a one-off cancellation of the unredeemable debts of the world's poorest countries by the year 2000 under a fair and transparent process, has remained constant.

#### *3.1 The structure of the campaign*

Jubilee 2000 was a quite amorphous structure. The name itself referred both to a popular campaign to secure debt cancellation and to the coalition of churches, development charities and other organisations, whose members were willing to work together to organise the campaign. Membership of the Jubilee 2000 UK Coalition was restricted to organisations that had an interest in campaigning for debt reduction: there

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<sup>3</sup> I should make clear at this point the nature of my own involvement with the Jubilee 2000 Scottish Coalition. I have represented both the Christian Socialist Movement and Tear Fund on the steering group of the Jubilee 2000 Scottish Coalition. At the start of this year, I was asked to be the interim convenor of a new organisation, Jubilee Scotland, which is perhaps more akin to the educational charity described by Peters than its predecessor.

was not, and still is not, a class of individual membership. This decision was taken to help the campaign to cohere, since a number of members of the coalition were concerned that Jubilee 2000 would otherwise end up being a competitor for scarce resources. For broadly similar reasons, it was agreed that the campaign should have a finite life, coming to an end at the end of 2000, that the Coalition would not enter into any fundraising activities independent of the members of the Coalition and that the Coalition should restrict its activities to securing debt reduction.

Such an approach may have been necessary in order to accommodate some of the more important members of the Coalition. However, it reduced its effectiveness as a campaigning organisation, both through limitations upon the Coalition's capacity to secure funding for its activities and through the dissipation of the energy of members of the campaign secretariat in having to negotiate agreement upon its programme continually.

The single, agreed objective of the campaign, the cancellation of the unredeemable debts of the world's poorest countries, was always bound to be problematic. Since the adoption of the Toronto terms at the G7 Summit in 1988, there have been a number of attempts to offer such a write down of poor countries' debts. All have sought to be full and final settlements. The 1996 HIPC Initiative was paraded by its architects, the World Bank and the IMF as being a break with "traditional" debt cancellation programmes, seeking to bring together adjustment and debt cancellation into a single programme, with debt cancellation taking place once a country was well on the way to achieving that objective.<sup>4</sup> Yet the subsequent Cologne Initiative of 1999, which sought to achieve a faster, deeper and wider debt write down, substantially modified the 1996 programme. I have already noted the pained response of Easterly (1999) to this decision. In contrast, leaders of the Jubilee 2000 campaign quickly rejected this additional measure, which they considered to be inadequate. The campaign continued, but failed to achieve further significant gains in the period up until the end of 2000.

At this point, the UK Coalition dissolved. This did not happen in any other country, possibly because the process of forming other national coalitions was quite different. In England, three new organisations have emerged. The first, Drop the Debt, is carrying on the debt campaign until the G7 Summit in Genoa, and will then dissolve. The second, Jubilee Plus, is a research organisation located within the New Economics Foundation. And the third, the Jubilee Debt Campaign, is a focus for continued work on debt cancellation among the larger agencies that were members of the former coalition. This separation into different strands might simply reflect the campaign's dependence upon a rather uneasy coalition of interests. Some agencies wish to reduce their involvement, believing that their other objectives are at least as important as securing further debt cancellation. For others, particularly African agencies, complete debt

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<sup>4</sup> see Boote and Thugge (1997) for details.

cancellation would be only a stopping off in a campaign for reparations for the exploitation of poor countries over an unspecified time period.

### 3.2 *The economic response to the campaign*

In this matter, the few economists to have examined the objectives of the campaign have for different reasons suggested that it would be appropriate for there to be substantial debt cancellation. Sachs *et al* (1999) argues that Africa in particular requires a large transfer of capital and that continuing to require debt payments to be made diverts attention from this objective. Kanbur (2000) develops this argument, pointing to the extent to which senior civil servants are compelled to account for government actions to creditors in highly indebted states, arguing that it is not merely government activity, but political discourse itself, that is undermined in debtor states by the need to satisfy external creditors.

In my campaigning role, I argued that complete debt cancellation was a sensible objective. My reasoning was rather more pragmatic. In discussions with official agencies, representatives of the campaign were frequently asked to state the extent of debt cancellation that would satisfy them. Given the nature of the campaign, and the danger that specifying any exact figure would risk splitting the coalition and make it easier for official agencies to avoid taking action, the campaign's response to such questioning tended to be that they would require faster, deeper and wider measures than were currently on offer. Complete debt cancellation was the limit on such demands, and an obvious target to set in seeking to establish an informal consensus.

There did seem to be a tacit agreement that this was indeed the Coalition's objective. But there was also considerable dispute about the means of achieving this goal. A number of groups within the coalition wished the establishment of some sort of international tribunal that would adjudicate between debtors and creditors, possibly under the auspices of the United Nations. While recognising that the coalition was seeking debt cancellation through fair and transparent means, the brevity of the campaign made it necessary to persuade the governments forming the G7 to accept complete debt cancellation and to fund this directly. Insisting upon the formation of a new global institution in order to determine the most appropriate possible level of debt cancellation would have been a very good example of making the best the enemy of the good.

More seriously, by failing to take account of some quite simple matters of economics, the campaign courted a loss of credibility. It became an article of faith for many campaigners that rich countries benefit from a flow of capital from debtor nations. Yet no highly indebted poor country has – even for a single year – experienced such an outflow of capital, with net official inflows generally being of the order of 5 – 10% of recipient countries' national income. Sachs *et al* (1999), which has been used by the campaign to support its objectives, makes exactly the same point.

In addition, while the websites of organisations such as Drop the Debt are packed with observations about the ways in which funds released through debt cancellation are being used to achieve social objectives, such as the expansion of education and health services, or the provision of social housing, there is little analysis of the value of debt cancellation in such processes. Here the evidence is weak. Allen and Weinhold (2000) do not establish any linkage between debt action and economic growth. They conclude that debt action – such as agreement to the deferral of loan payments – does not lead to an increase in spending on such services. While this finding may result in part from the inclusion of debt actions under programmes other than the HIPC Initiative, it serves as a reminder that the Coalition did not evaluate the costs of continued indebtedness, or the putative benefits deriving from a successful campaign.

### *3.3 The role of multilateral financial institutions*

Debt campaigners have also relied upon a rather lazy characterisation of the role of international financial institutions, particularly the World Bank and the International Monetary Fund. They assumed that as the largest debtors of many of the HIPCs, their refusal to cancel debts was culpable, and their adherence to structural adjustment programmes based upon economic criteria at best morally debatable. Two points are appropriate here. Firstly, there are strong arguments concerning the need to avoid unconditional debt writedown, accepted by the Jubilee 2000 Coalition. It was merely that their proposed conditions differed from those proposed by creditor governments and the multilateral financial institutions.

There was at least one strand within the Jubilee 2000 coalition advocating political conditionality, with debt cancellation being subject to the adoption of improved standards of governance. This is very close in spirit to the proposals contained in poverty reduction strategy papers, but there is a risk of such conditions being far more invasive and damaging to the autonomy of nation states than the economic conditionalities that they are supposed to replace.

But beyond the question of the responsibility of international financial institutions for delaying debt cancellation, there is a failure on the part of campaigners to recognise the extent to which these institutions are responding to a failure on the part of creditor governments to act decisively. I have already noted that the indebtedness of HIPCs peaked in 1986, and that since then there has been a gradual reduction in total indebtedness, but with significant shifts in the composition of those debts. I have also argued that the increasing exposure of multilateral financial institutions and the retirement of private credit is consistent with weak credit control, so that while some part of the reduction in indebtedness results from debt cancellation programmes, some HIPCs' governments have also consciously decided to reduce borrowing during a process of economic reform.

A quite striking description of the extent to which multilateral financial institutions come under pressure to continue lending is found in Kanbur (2000). As the

World Bank representative in Ghana, Kanbur felt it necessary at one stage to require a suspension of credits. Immediately, he came under pressure from donor agencies, both governmental and non-governmental, which were concerned that their programmes would have to be suspended, meaning that budgets would be cut. Against this pressure to permit the continuation of programmes, he was virtually powerless. But in the circumstances in which he was working, there were good political reasons for the departure of the Ghanaian government from the agreed programme, and good reasons for granting the exemption necessary to maintain support for continued structural reforms.<sup>5</sup> Ongoing debtor indiscipline in a number of other countries may be more a matter of political expediency. The debt campaign exaggerates considerably in treating the multilateral financial institutions as monolithic and omnipotent. Far from having the capacity to foist upon governments economically rational reform policies, they appear to lack the ability to prevent the pursuit of damaging social and economic policies that will require to be reversed, often at considerable cost, in the future.

These comments are intended to draw attention to some of the weaknesses of the existing debt campaign. Perhaps to expect a campaign seeking to attract the support of millions of people to seek to engage with the concerns of a very small group of academic economists and political scientists would be to overstate the importance of these professions. But lack of concern that tends towards disdain for both fact and policy might reduce the effectiveness of the campaign now that it has won the public argument and secured the support of so many political leaders. If the campaign does not develop ideas that can withstand robust criticism from academics and policy makers then it is unlikely to obtain much more than was offered in the Cologne Initiative.<sup>6</sup>

#### ***4. The nature of financial obligations***

When a party enters into a debt contract, it agrees to make repayments according to a specified schedule. The word debt, derived from the Latin verb *debere* that we might translate either as “to have to” or “to be obliged to”, suggests that these repayments are obligatory. It is consistent with this moral perspective on the nature of loan contracts that the name given to the lender, “creditor,” is derived from the verb *credere* meaning either “to believe,” or perhaps more appropriately “to entrust.” For these reasons, it is often argued that breaching the trust implicit in a loan contract should lead to the

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<sup>5</sup> Allen and Weinhold (2000) relate some of the circumstances surrounding the delayed discharge of PRGF funds to Uganda following the discovery that President Museveni had purchased a new personal aircraft.

<sup>6</sup> This is written only days before the meeting of the G8 in Genoa in July 2001. The UK “Drop the Debt” campaign seems likely to end at that point, and there is little evidence of the sort of widespread popular support for change that there was in 1999. Debt cancellation is likely to become another campaign where people have shown their support and believe that government action has been sufficient to provide a full resolution of the problem.

imposition of severe sanctions. In German law, for example, writing a cheque on an account that lacks the funds to meet it entitles the payee of the cheque to sue for sequestration of the drawer's assets. Similarly, we tend to talk about a creditor who has chosen not to pursue a right to repayment as "forgiving" the debt.

A term with slightly less moral force is more usually used in the context of the HIPC Initiative, which refers to "debt relief." Authors such as Sachs *et al* (1999), Easterly (1999) and Allen and Weinhold (2000) use this. Yet members of the Jubilee 2000 Coalition have argued that even "relief" has moral connotations inappropriate to the situation facing many countries. They find it condescending to suggest that rich countries should claim to be lifting a burden from the shoulders of poor ones that could not otherwise be shifted. The preferred term for campaigners is the one used throughout this paper, "debt cancellation," which relates simply to the process of reducing the outstanding debts by agreement between the parties.

It is in part through questioning the use of language and hence the assumptions embedded within language that the Jubilee 2000 campaign has been able to enter into a productive dialogue with public authorities. Economic methodologists such as McCloskey (1985) have argued that the truth of a concept depends at least in part upon the way in which it is used. It has been important for the debt campaign to demonstrate the inadequacies of conventional wisdom about indebtedness by developing a fresh rhetoric with a distinct moral grounding. The commentary above concurs with those suggesting that this rhetoric has only the most modest grounding in neo-classical economic theory, but that is scarcely a fatal flaw.

#### *4.1 A definition of usury*

There is a Christian tradition that opposes the payment of interest on all loans, treating such payments as usury. This draws upon both Scriptural injunctions such as Exodus 22: 25, Leviticus 25: 35 – 37 and Deuteronomy 23: 19 – 20, and also upon the Aristotelian argument that lending at interest involves the increase of money from money. Since money is artificial, and created by man, such an increase is against nature.

This latter objection is very easy to counter, relying as it does upon a confusion of the concepts of money and wealth. People choose to hold a part of their wealth in the form of money because in that way they are able to obtain liquidity services that other forms of wealth do not permit. Lending therefore constitutes a transfer of wealth or resources, not simply a transfer of money. Define one object of economic activity as being the creation of new resources, or more generally value, from existing resources.<sup>7</sup> For example, a country borrows money to fund a programme that will provide villages

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<sup>7</sup> In a separate paper, Mochrie (2001), I have examined this question at rather greater length in the context of a critical reading of Shakespeare's *The Merchant of Venice*, considering in particular why Antonio, a trader, is considered virtuous, while Shylock, a necessary adjunct to his trade, is not.

with secure supplies of clean water. The value created comes principally through the reduction in disease, which permits the generation of wealth through various channels as well as the raising of what might be called social capital.

This increase in resources resulting from the use of other resources can also be used to justify the payment of interest, and to make a distinction between a fair reward for willingness to supply the resources necessary to the completion of a project, and lending that is usurious. The injunction against usury in Exodus appears in the context of Israel being identified as a chosen, holy, separate people, while in Leviticus it is associated with a reminder of the experience of slavery in Egypt. Reminders that the Israelites' wealth is the result of God's undeserved favour appear frequently in the Law, as a commentary on injunctions to use that wealth appropriately. Thus in the year of Jubilee, land was to be returned to families (Leviticus 25). The edges of fields were not to be gleaned, so that the poor might take something for themselves (Deuteronomy 24). The security taken for a loan should not be excessive (Deuteronomy 24). And where an Israelite has had to enter into debt slavery, because of inability to pay off debts, this should be limited in time, and the slave treated well when he is released (Deuteronomy 15). Wealth was not to be used to oppress, but to liberate the oppressed, for otherwise it would be lost over time. Northcott (1996) relates these prescriptions to the fragility of the land itself. Unless it was nurtured carefully, its fertility would soon be exhausted, and these rules were attempts to remind people of the need for restraint.

However, in the context of a largely agrarian society, the prohibition of usury can be understood in terms of the limited opportunities to increase social wealth through commercial activity. There would have been very low levels of monetisation and economic activity, with most people relying upon their own land to subsist. Wealth and well-being were associated particularly with access to land, and this identification of the people with the land appears in many places throughout the history of Israel.<sup>8</sup> We can understand this relation in terms of the covenant relation between God and Israel being expressed through the granting of possession of the land, with an inheritance being given to each family. Alternatively, we can understand it as a pragmatic response to the wealth of the community being held principally through land, and a set of rules to try to ensure stability.

This is of course a simplification. Some commentators argue that Deuteronomy was written some time after Leviticus, and Gorringer (1994) uses this to explain the quite different treatments of Sabbath year regulations in Leviticus 25 and Deuteronomy 15. Whereas the earlier rules were expressed in terms of land pledged as the security for an obligation, the later ones seem to relate to people who did not possess land and whose main asset was their labour. There is also a distinction made between the redemption rules for land and those for buildings in a town. These suggest awareness that, in order to enjoy full human dignity, people need the degree of independence that comes from

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<sup>8</sup> For example, the daughters of Zelophedad in Numbers 35, Boaz in Ruth 4, Ahab and Naboth in 1 Kings 21, and the purchase of the field at Anathoth in Jeremiah 32.

having a minimum level of wealth. Freedom entails command of sufficient resources to subsist, if not to live in luxury.

These regulations therefore seem to presume that possessions and material wealth are very limited. The opportunities for economic activity are therefore also limited, and this seems to be related to the ban on usury. Under these circumstances, suppose that a farmer's crop has failed and that he approaches a neighbour to borrow grain to enable him to sow again, but that the neighbour, taking advantage of the desperate need of the first farmer, agrees on condition that he will receive a large proportion of the subsequent crop as a repayment. Such a loan is not being made so that a project is undertaken that will benefit society. Rather, it is essentially exploitation of someone facing temporary difficulties. This is the sort of behaviour that the Law condemns.

#### *4.2 Theological perspectives on sovereign indebtedness*

Theologians whose writings have been used to justify the call for debt cancellation tend to argue that property rights are contingent, and dependent upon their being used appropriately in order to be legitimate. They have also pointed to the use of language that treats debtors as being responsible for their own conditions as a source of difficulty. Most importantly, they have constantly sought to remind economists that beneath the formality of economic theory and analysis, there is great human suffering.

In a quite remarkable, rigorous questioning of the role of economic theory in public policy, Jenkins (2000) has argued that the concept of "the market" has been idolised in the sense that economists possess a blind faith in the beneficence of its working. Seeking to question the functioning of the market has become the equivalent of heresy, permitting the exclusion of all who do so from the debate on policy. This is a very strong claim. However, there can be little doubt that the language and assumptions of economics are privileged within this debate, being used by technical experts to control both its scope and content.

This alleged idolatry could be seen in the elevation of the observation of the terms of debt contracts to a sacred duty. As Peters (1996) notes, certain officials of the multilateral financial institutions even argued that their articles of association prevented their remitting debts. It is curious that none of the critics has pointed to the extent to which those holding conservative political beliefs frequently argue that any deviation from the rule of law as it is currently constituted would have disastrous, if not truly apocalyptic, consequences.<sup>9</sup>

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<sup>9</sup> Easterly (1999), Allen and Weinhold (2000) and Menzies (2000a) make such arguments as a problem of too rapid debt cancellation. These authors suggest the need for conditionality and commitment technology to ensure that debt cancellation does turn out to be a unique event.

In part, that might be a result of the more robust critics, such as Duchrow (1994), Gorringer (1994), Selby (1997) and Northcott (1999), simply sidestepping debate and preferring to engage in self-described prophetic witness. Arguing that the blood of the poor cries out against the manifest injustices of the system that continues to enslave them, Duchrow and Gorringer construct a reading of the Old Testament that emphasises the degree of solidarity of the writers with the poor and oppressed, arguing for the construction of very different kinds of economic relations, for which they are able to offer only preliminary sketches.

Selby questions the use of language surrounding indebtedness, arguing that we encourage both individuals and nations to “take credit” and think the same way about our borrowing when we are in control of the situation, but prefer to talk about “falling into debt,” when borrowing becomes unmanageable. Selby argues that such language carries with it a presumption of negligence and culpability, allowing those of us who are more fortunate to exclude troubled debtors and require them to atone. In that context, Northcott (1999) is particularly interesting as he offers a counter-history of the debt crisis that is grounded both in Biblical prophecy and in the witness of those suffering the oppression of living in poor, deeply indebted countries at the present time. This is a particularly interesting approach, and while it is not written with an academic audience in mind, it is compelling in its immediacy.

But this approach to property rights means that the questions of officials in the multilateral financial agencies are simply irrelevant for the theologians.<sup>10</sup> Debate between these two groups may well prove to be very difficult. The economists continue to be wedded to a consequentialist, utilitarian ethic in which the global payoff to financial discipline is superior in the long run, while the theologians advocate a deontological, Christian ethic in which present suffering justifies an immediate transfer of wealth from rich to poor and greater concern for the distribution of wealth than for its total level.

The distinction made already between usury and the hiring out of productive capital at reasonable cost may help to clarify the matter. The problems of HIPC countries are so severe, and the wealth of developed countries so great that insistence upon repayment at least risks being seen as usurious. For such reasons, there has been virtually global agreement that something like a HIPC Initiative is necessary. With the outstanding debts of the HIPC countries less than 1% of the income of the OECD countries, full cancellation could be funded in a single year while only reducing growth of income to about half of its usual rate. Even expanding the definition of coverage to all low- and middle-income countries, total indebtedness is a mere 12% of OECD income. So OECD countries have the capacity to make transfers that are very large relative to the size of recipient

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<sup>10</sup> It is perhaps worth noting here that the theologians to whom I have referred all work within a framework that is antagonistic towards “global capitalism.” Theology within other traditions seems, rather like neo-classical economics, to have had less to say in this matter.

economies. At the present time, however, there appears to be no desire among political groups in these wealthy countries to increase transfers, to remove trade barriers that discriminate against the industries in which Southern countries might be expected to have a comparative advantage, such as clothing and food production, introduce levies such as the Tobin tax on currency transactions to fund development programmes,<sup>11</sup> or indeed even to begin the sort of public debate that would lead to the acceptance of the need for such actions.

## **5. Conclusion**

Kuhn (1970) talks about the incommensurability of alternative paradigms in scientific research. By this he appears to mean that once embedded within a particular scientific culture, it is very difficult to understand other ways of thinking about phenomena. His classic example was to set Aristotelian physics against Newtonian physics. Because most people nowadays are so accustomed to the assumptions, procedures, and rhetoric of the latter, it is difficult to appreciate the internal logic of the older, largely superseded system. Similar incommensurability appears to arise between the theological and the economic analyses of problems of development.

Academic economists and the staff of international agencies find it difficult to accept the charges of complicity in the continued impoverishment of Southern countries laid against them by theologians and campaigners. People who are willing to work within the organisations identified by the critics as being central to the neo-liberal project presumably share certain of these organisations' values, and have doubts about the potential benefits of root and branch reform. Similarly, scepticism amongst academic economists about the potential beneficial effects of increases in transfers to poor countries is borne of the lack of success of such efforts in a wide variety of contexts over the last fifty years.

Theologians and campaigners tend to feel excluded from the discussions of international organisations because they lack either the technical expertise valued by economists or the capacity to mobilise economic power feared by politicians. They are less concerned with making the present system work more effectively for the benefit of the poor than for creating a new system in which the needs of the poor will be given much greater priority than they are presently. In the Jubilee 2000 campaign, these groups were able to coalesce and to demonstrate the extent of popular dissatisfaction with one particular aspect of relations between North and South. That campaign was almost unique in its identification of a small, discrete change for which there was widespread support across a wide range of institutions.

However, the problems of Highly Indebted Poor Countries would not all be resolved were there to be an immediate cancellation of their debts. They would remain poor, politically divided and continue to suffer from endemic institutional weakness.

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<sup>11</sup> See Tobin (1978).

They would need continued development assistance through grants and highly concessional loans. On the assumption that the debt campaign has, for the moment at least, run its course, new ways have to be found to ensure that the governments of the G7 states continue to pay close attention to the needs of these very fragile countries. That will require not only the wisdom of theologians and economists, but also the continued efforts of those who have already worked for several years to promote the interests of these very poor countries. With the setting of international development goals, including substantial reductions in absolute poverty around the world, to be achieved by 2015, governments have set in place standards by which the success of their policies can easily be appraised over the next fifteen years.

Even while telling campaigners and visionaries that the truth is not always as simple as they might wish it to be, academic economists have an important role to play because they have the skills to understand the whole system, rather than being overwhelmed by the immediacy of individual needs. Such skills are a rare commodity, but are also easily undervalued when sentiment and the immediacy of human suffering prompt strong reactions.

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**BOOK REVIEW: *Political-Economic Activity to the Honour of God* by John Boersema, Premier Publishing, Winnipeg, 1999; 355pp.**

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It is a rough but useful characterisation that, in the English-speaking world, Christians who engage in political activity do so through the mainstream political parties while in The Netherlands they do this through separate, explicitly Christian parties.<sup>1</sup> This being the case, we might expect that there has been far more extensive and detailed grappling by Christians with questions of policy in the Netherlands than in the English-speaking world, grappling driven by a need to deal on a regular and often urgent basis with policy issues. Hence, those of us interested in questions of economic policy would expect to find useful and interesting material in the literature generated by Dutch political parties and their research institutes arms.

Boersema's book *Political-Economic Activity to the Honour of God* is the result of an attempt to make some of the ideas in this literature accessible to non-Dutch-speaking readers. He is well equipped to do this, being of Dutch birth, educated in Canada and the US, a member of a conservative Reformed denomination in Canada (one of the Canadian Reformed Churches) which still has strong ties with the (liberated) Reformed Churches in The Netherlands. Boersema is a professor of business and economics at Redeemer College in Ontario and started this book as a research project during a sabbatical visit to The Netherlands where he interviewed many of the leading figures involved in Christian political activity.

The book concentrates on ideas developed in and for the conservative Reformed party, the Gereformeerd Politiek Verbond (Reformed Political Alliance; henceforth GPV) which grew out of the Anti-Revolutionaire Partij (the Anti-Revolutionary Party, ARP) founded in 1870 by Reformed Dutch statesman Abraham Kuyper (1837-1920). It should be made clear, however, that despite its specific focus on the GPV, the Boersema's book is more than just an English-language survey or summary of the GPV's position on economic policy. It also includes an extensive critical evaluation of this platform as well as a comparison with a wide range of thought on economic policy in the English-speaking world with an emphasis on the North American literature but also including references to the literature emanating from the other side of the Atlantic (and Pacific). Thus, typically an issue is addressed by first examining material produced by the GPV and other Dutch authors which is then critically evaluated as well as compared with the work of other Christians writing on the subject and, less often, with work by economists who do not work from a specifically Christian view-point. Conclusions are based on all these sources so that in the end we hear Boersema and not the GPV.

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<sup>1</sup> There are fledgling Christian parties in Canada, Australia and New Zealand but these are largely the result of efforts by Christians from a Dutch Reformed background.

As will be clear from the foregoing, it is not a book about economics as such but it aims to provide a basis for the assessment of questions of economic policy in a real-world political environment. In this way its focus differs from, e.g., Donald Hay's book<sup>2</sup> that is a critical evaluation of economics as a discipline although, of course, it also discusses many policy questions.

The book begins naturally with a discussion of principles. The first substantive chapter deals with the cultural mandate which is typically the starting point for Dutch thinking about political, social and economic activity and has been the subject of wide-ranging discussion in the Netherlands (some of the details of which have been relegated to an Appendix). There seems to have been a decided shift in interpretation of the practical implications of the cultural mandate from an earlier emphasis on growth and development to a more recent focus on sustainability and while this is still a matter of debate, it remains a basic starting-point for the discussion of social and economic policy in the Netherlands and forms one of the two principles which underpin the remainder of the Boersema's book.

The second principle, also discussed in Chapter 2, is that of stewardship. The conclusion reached from an examination of these two principles is that "We must as God's stewards, develop the world to enable man to honour God" (p.33). Hence the principle of development is qualified in two ways – by our being stewards and by limiting development to that which supports man in his life of honouring God. This conclusion begs the question of the extent to which these objectives flow through to government economic policy: are these principles for our guidance only in our individual economic lives or do they also impose responsibilities on governments? This question has to wait till Chapters 5 and 6 that deal with the economic role of government and the limits to this role. In the two intervening chapters, Boersema sets out some more Biblical principles and draws out the implications of the principles for the objectives of economic policy.

Chapter 3 extends the discussion in Chapter 2 by drawing additional principles from Scripture that may be useful for the formulation of objectives of economic policy.

Here the reader will find a consideration of Christian teachings such as the ten commandments, the notion of sin, the command to love one's neighbour, the notion of justice, the requirement to count the cost of our actions and the requirement for personal responsibility. Finally there is also a critical review of the Kuyperian/Dooyeweerdian idea of "sphere sovereignty" which was so important in the GPV's predecessor, the ARP.

The discussion of justice is particularly interesting, given its importance in much of the Christian pronouncements on economic policy that comes from the liberal/left end of the political spectrum. There is an examination of distributive justice and the important distinction between equality and equity. There is also an extensive interaction

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<sup>2</sup> Donald A. Hay, *Economics Today: A Christian Critique*, Apollos, 1989.

with the writings of English-speaking Christians on this issue, including the authors of the Oxford Declaration, Richard Chewning, Brian Griffiths, Douglas Vickers, Peter Nijkamp and Ronald Sider. Boersema concludes that Biblical justice does not imply the socialist dogma “to each according to his needs...” but “... accepts rewards based on results” which must, however, be tempered with an eye to economic needs and be firmly based on the principle of equal opportunity. The overall conclusion reached in this and the previous chapters is that economic activity ought to be undertaken as stewards of God’s creation. As stewards we should use creation efficiently, carefully counting the costs of our actions, but with a view to justice, especially to the poor and weak, although in such a way that gives people the room to discharge their personal responsibilities.

From these principles, Boersema goes on to develop economic goals, the main one of which he argues is the maintenance of full employment. Work is central in the economic life of the individual Christian, both as an activity and as a source of income. Therefore a primary policy goal is that all be able to work in order to provide them with the opportunity to discharge their own responsibility to God. Boersema also discusses goals involving the distribution of income (the emphasis should be on equal opportunity and the alleviation of poverty rather than efforts to flatten the income distribution), the environment, economic growth, inflation and government debt and deficits.

Now, it is one thing to reach conclusions about the goals of economic life (and even on them there will often be disagreement), but this does not mean that the government as such has the responsibility for achieving these goals and, in those cases where it has some direct responsibility, there are difficult questions about the extent of its involvement, the likelihood of success and the way in which it should proceed. There follows in Chapters 5 and 6, therefore, a discussion of the role of government. This careful attention to the question of the proper place of the government in the economy is welcome since all too often a diagnosis of economic ill is considered sufficient to establish that the government ought to do something about it without much, if any, consideration of the question of whether there is a legitimate government role and what, realistically, the government might do about the problem.

Boersema discusses the role of government under three headings – the notion of justice, the cultural mandate and the need to counter materialism. The first of these is a natural place to start – the government’s duty to maintain justice is a basic one and includes the requirement to protect the weak in society, including the economically weak. Thus, there is an argument that the government should provide an economic safety net for those unable to take care of themselves, although there are reservations here in GPV circles that the government should not usurp the responsibilities of the family and the church with respect to providing for those who cannot provide for themselves. However, given the decreasing reach of the church in modern society, it seems inevitable that the government will need to take an increasingly comprehensive responsibility for the economically weak.

While maintaining justice is seen as the government's primary responsibility, the GPV also sees a role for government in carrying out the cultural mandate and in countering materialism, two goals which are perhaps less familiar in English-language discussions of this question. The cultural mandate seems to have been enthusiastically embraced by the GPV as part of the government's task – the government is to participate actively in the economic development of the country and not restrict its role to the encouragement of individuals or the provision of an economic environment conducive to the individual fulfilment of their cultural tasks. But Boersema is rightly cautious here – it is one thing to admit the importance of the cultural mandate in defining the individual's economic task (and even here opinions differ considerably), it is quite another to argue that the government has more than a supportive role in this matter.

The same may be said for the government's goal of "countering materialism" where materialism is used here in the sense of "making goods one's god, trusting in them as one's source of security and believing that more goods are always better than fewer goods" (p.121). Here, too, Boersema points out that it is one thing to argue that Scripture warns us against materialism, it is quite another to establish that government has a role in countering it and, if it does have a role, how this might be done. Nevertheless, in the Dutch context suggestions have been made that the government should lead by example by spending in a responsible way, that it should limit gambling, limit advertising, restrict the ability for consumers to gain easy access to credit and that it could use taxation measures to create incentives for the private sector to spend responsibly.

Thus, according to Boersema, there is a legitimate economic role for the government that extends beyond the minimum necessary to provide a system of justice and defence. Nevertheless, he argues in Chapter 6 that there are good scriptural reasons to limit the government's role – the fact that governments are made up of sinful men and excessive concentrations of power are just as corrupting in government as they are elsewhere, the necessity to allow for the exercise of personal responsibility and the likely inefficiency of many government operations.

All this is drawn together in Chapter 7 where the author arrives at a conditional preference for the free market system. The government's role ought to focus on traditional functions like providing a justice system and defence and allow the market to be the main vehicle for making the basic economic decisions regarding resource allocation. He does recognise, however, the many potential failings of such a scheme – issues that are the bread and butter of welfare economics such as externalities, public goods and deviations from perfect competition. Beyond a minimal role government involvement in the economic sphere of life must be justified not only by showing that the free market system fails to meet one or more of the goals but that it is possible and, indeed likely, that government intervention will improve matters. In this it must be kept in mind that government, too, is made up of sinful people and will therefore not automatically behave altruistically.

But in coming to a preference for the free market, Boersema is careful to point out that this is not because there is strong Biblical support for the free market as such. Indeed, readers familiar with Boersema's earlier work on the question of free market versus government intervention<sup>3</sup> will know that he is well aware of the shortcomings of the free market system. His support is based on his judgment that the free market is most likely to achieve other, more basic, goals.

There follows in Chapters 8 and 9 a discussion of further questions regarding the relationship between the government and the economy. Chapter 8 addresses issues surrounding government ownership and the government's right to interfere with private ownership by way of taxation, expropriation and regulation. Boersema is critical of the position of the Christian right that only government ownership of resource be permitted only to provide minimal services of justice and defence and ownership beyond that is theft of private property. He argues that Scripture clearly recognises the government's right to raise taxes and to interfere with the private use of property and, in discussing government provision of infrastructure and regulation of the adverse effects of externalities actually sees a very significant economic role for the government. He stops short, however, of the GPV's enthusiastic support of "primary public projects" designed to provide social and economic infrastructure as well as stimulating employment.

Chapter 9 applies principles derived earlier to focus on questions about competition and incentives. Competition and the desirability of external incentives has been a vexed issue for many Christians – witness the ongoing disagreements about the role of competitive sport and the desirability of rewards for outstanding academic performance in Christian schools. On the one hand we have the scriptural command to cooperate and seek our neighbour's rather than our own advantage and yet we recognise the fact that cooperative behaviour is not nearly widespread and thorough-going enough to hang the whole economy on so that some scheme that harnesses (and encourages?) man's selfishness is necessary to achieve anything like an efficient allocation of economic resources.

The final substantive chapter is devoted to an evaluation of what has become known as the "Dutch model" in which there is high-level and extensive consultation between groups in the economy whose interests are traditionally opposed. Many institutions exist in the Dutch economy that stimulate such consultation between employers, employees and government so that each takes at least some responsibility for the effects of their actions which are generally ignored in other western countries. So, e.g., unions and employers are forced by this system to take account of the unemployment consequences of their wage agreements in contrast to the attitude in other countries that each party looks after the interests of its own constituents and the unemployment consequences are the government's concern. Given that there appear to be sound Christian reasons for co-operation and consultation rather than confrontation, should we import such a model to other western countries? Boersema argues that, while

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<sup>3</sup> See his two articles in *Reformed Perspective* in December 1988 and January 1989.

there is a great deal to be said for such institutions on Christian grounds and while they may have worked well in the period of post-war reconstruction in the Netherlands, they have been less effective in recent times. Besides, he argues, it is doubtful that they could easily be transplanted to North American soil.

In the last chapter Boersema reiterates his starting point: “We must let the Word of God be our guide also in deciding what policies we must support concerning the world of political economics”. He concludes “this task is not a simple matter... It involves a careful, continual process of analysis, of counting costs and benefits in the light of Christian objectives.” (p.295). This book provides an interesting perspective on this process – it is a scholarly yet accessible evaluation and integration of a wide range of recent writing on economic-political issues, particularly the Dutch literature that is inaccessible to many Anglophone Christian economists.