

# JOURNAL OF THE ASSOCIATION OF CHRISTIAN ECONOMISTS

No. 31, September 2002

***From the Editor:***

This issue of the ACE Journal contains two papers that were originally presented at the ACE Conference in July 2002. Edward Carter presents an appraisal of the work of Professor Amartya Sen on “basic capabilities”, and in particular whether there is within Sen’s approach a place for virtue. Andrew Britton looks at the economics of the Church of England, examining what can be applied from the economics of altruism and the question of how best to fund the Church’s parochial ministry.

The Spring 2002 issue of *Faith and Economics* (the journal of our colleagues in ACE North America) contained articles entitled “The new institutional economics” by Gerald W. Brock and “One riches in the Bible and the West today” by John Lunn. ACE North America are holding a conference *Economists, Practitioners, and the Attack on Poverty: Toward Christian Collaboration* on January 5<sup>th</sup> to 6<sup>th</sup> January 2003 in Washington DC to celebrate their first twenty years. Details and programme are at [www.gordon.edu/ace](http://www.gordon.edu/ace) Also in the United States from 7<sup>th</sup> to 9<sup>th</sup> November 2002 is a conference on *Christianity and Economics* at and hosted by Baylor University, Texas, The very full programme can be found at <http://www.baylor.edu/2002conference>

Finally I am delighted to include with this issue of the journal a complimentary copy of Peter Heslam’s recent Grove Booklet entitled *Globalisation: Unravelling the New Capitalism*. My thanks go to the London Institute for Contemporary Christianity for making this possible.

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ISSN 0956-3067

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# SEN'S 'BASIC CAPABILITY': A THEOLOGICAL APPRAISAL

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## *1. Introduction*

This paper is concerned, at its most fundamental level, with the arena of moral philosophy, and of the respective places within that arena which the separate disciplines of economics and theology might be seen to occupy. The different stances taken by the proponents of these two disciplines imply the possibility, at least, of some kind of relationship between them, and it is proposed to explore here this possibility with particular reference to the work of one leading economist, Amartya Kumar Sen.

If moral philosophy might be characterised as consisting of reflection upon human character and conduct in its broadest sense, both the ethics of economics and theological ethics should be understood to have taken separate steps, by which distinctive focus is applied to the basic moral philosophical task. Economics is concerned with the study of how society decides what, how and for whom goods and services should be produced.<sup>1</sup> The ethics of economics takes up the normative strand of this study, concerning itself with the way in which such decisions should be taken, and the moral questions involved. Theological ethics, in turn, addresses the moral philosophical questions with reference to God, using the tools of spirituality, divine revelation and natural reason. The potential for dialogue between the two exists, and Sen's work provides the possibility of a fruitful starting point.<sup>2</sup> In particular, his 'basic capability' approach, and the challenge to utilitarianism which it contains, offers a good point of purchase for just such a dialogue.

## *2. Utilitarianism in Economics and Sen's Challenge*

Utilitarianism was championed in the nineteenth century by Jeremy Bentham, John Stuart Mill and Henry Sidgwick, amongst others. It is from Bentham, for example, that much modern philosophical utilitarian vocabulary, including the concept of minimisation and maximisation, is drawn. Early utilitarian thought made reference to pleasure-maximisation, but the ambiguity of the term 'pleasure' has led to its replacement by the concept of 'preference satisfaction' in contemporary versions of the theory. Most simply stated, utilitarianism can be seen to be the intersection of two different philosophical theories. The first is that of consequentialism, which argues that actions should be judged on the basis of their consequences, while the second is that of welfarism, which argues that value should be assigned to states of affairs on the basis of welfare, or, alternatively stated, of the satisfaction

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<sup>1</sup> Begg, Fischer & Dornbusch, *Economics*, p.2.

<sup>2</sup> Amartya Sen has worked as a professional economist all of his life, always from within an academic context, beginning his career as an undergraduate in Cambridge in the 1950s. As winner of the Nobel Prize for Economics in 1998, his work has been acclaimed as being of particular importance, both by his colleagues in academia and by those concerned with the application of economic theory in practice. The citation accompanying Sen's Nobel Prize made mention of his efforts to combine tools from economics and philosophy, thus restoring an ethical dimension to the discussion of economic problems.

of preferences.<sup>3</sup>

It is an often asserted claim that modern economic analysis is overly influenced by utilitarianism, with its focus upon ends-based self-maximising human behaviour. The so-called ‘Chicago Project’ contains what might be seen as the most strident and extreme expression of this utilitarian philosophy within contemporary economic thought, with the central assumption that every aspect of human behaviour is characterised by a conscious calculating of the benefits and drawbacks to the self which might be expected to result from every action.<sup>4</sup> Such utilitarianism within economics is often traced back to Adam Smith, and the refinement of his ‘invisible hand’ into the complex, positivistic analysis which characterises a good deal of contemporary economics has been well documented.<sup>5</sup>

While many would agree that the insights provided by this richly developed analytical tradition have been significant, not least in the understanding of market theory, concerns have also been raised, during this development of utilitarian thought, voicing the view that flaws lie within it.<sup>6</sup> Taken together, these concerns form a serious critique of neo-classical

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<sup>3</sup> See the discussion in eds A. Sen and B. Williams, *Utilitarianism and Beyond*, pp.3ff, which also helpfully sketches out the way in which utilitarianism takes a severely restricted view of personhood, and of the rights of individuals.

<sup>4</sup> Gary Becker, a Noble Prize winner in the early 1990s, and working within the Chicago Project, suggested that even marriage and divorce should be seen as best analysed using a utilitarian framework; see Donald Hay, ‘On Being a Christian Economist’ in eds D. Hay and A. Kreider, *Christianity and the Culture of Economics*, pp.168-170, for a fuller exposition of this strand within modern economics.

<sup>5</sup> This development is set out well by Scott Meikle, ‘Quality and quantity in economics: the metaphysical construction of the economic realm’ in ed. U. Mäki, *The Economic World View*, pp.32-54.

<sup>6</sup> The main strands of thought within this critique are, on the one hand, a demonstration of the weak points implicit within utilitarianism, for example the tendency to ignore individual rights, and, on the other hand, the assertion that a false anthropology is implied by utilitarian behaviour, either couched in terms of a suspicion that concepts such as loyalty or trust cannot be adequately catered for within utilitarianism, or arrived at through specific studies of human nature, a number of which have shown that students of neo-classical economics are the only group within society that demonstrate behaviour which approximates to the ‘rational self-interest’ of utilitarianism: see Marwell and Ames, ‘Economists Free Ride, Does Anyone Else?’, *Journal of Public Economics* 15, pp.295-310; Hausman and McPherson, ‘Taking Ethics Seriously: Economics and Contemporary Moral Philosophy’, *Journal of Economic Literature* 31, pp.671-731; Frank, Gilovich and Regan, ‘Does Studying Economics Inhibit Cooperation?’, *Journal of Economic Perspectives* 7, 2, pp.159-171. Significant also is Graham Loomes’s conclusion, after many years of work in the field of the study of personal self-optimising behaviour, that the utilitarian foundations of modern economic theory are seriously flawed; see his ‘Probability versus Money: a Test of some Fundamental Assumptions about Rational Decision-Making’, *Economic Journal* 108, pp.477-489. For one approach which explores a way ahead within economics, given that the rationality assumption associated with utilitarianism is insecure, see Kahneman, ‘New Challenges to the Rationality Assumption’, *Journal of Institutional and Theoretical Economics* 150, pp.18-36. For two examples of theological critiques of utilitarianism see Gorringer, *Capital and the Kingdom*,

economic theory, and it is within the context of this general critique, and the proposed need for a different economic world-view, that Sen's work must be understood.<sup>7</sup>

One of the more prominent ways in which Sen has exposed the weakness of utilitarianism has been in his work on equality, and it was under this general heading that his 'capability approach' received its first airing, in a lecture entitled *Equality of What?*, given on 22nd May 1979 at Stanford University.<sup>8</sup> The subsequent two decades have given him plenty of opportunity to refine this theme, and to respond to comments made by others.<sup>9</sup> It is proposed to set out briefly here the key aspects of Sen's theory, and the conceptual space which it seeks to occupy, before proceeding to a theological appraisal of this influential body of work.

In his 1979 lecture, Sen considers, and rejects as unsatisfactory in turn, the possibilities of *Utilitarian Equality*, *Total Utility Equality*, and *Rawlsian Equality*.<sup>10</sup> In his criticism of the utilitarian approach Sen notes the lack of respect which the theory has for the individual, based on arguments in terms of liberty, but takes the main reason for its rejection as being the variations between human beings, since different people could well be expected to have

pp.34-37, and McFague, *Life Abundant*.

<sup>7</sup> Sen's specific contribution to this critique includes notably his 'Rational Fools: A Critique of the Behavioural Foundations of Economic Theory', *Philosophy and Public Affairs* 6, pp.317-344.

<sup>8</sup> This lecture is reprinted in Sen, *Choice, Welfare and Measurement*, pp.353-369.

<sup>9</sup> In addition to 'Equality of What?', the main sources from which a coherent picture of Sen's work on the 'capability approach' can be formulated are: *Commodities and Capabilities*; 'The Standard of Living' in ed. Hawthorn, *The Standard of Living*; 'Development as Capability Expansion' in eds Griffin and Knight, *Human Development and the International Development Strategy for the 1990s; Inequality Re-examined*; 'Capability and Well-Being' in eds Nussbaum and Sen, *The Quality of Life; Development as Freedom*. These seven texts, which cover the period 1979 to 1999, will be taken as providing the primary source material for the appraisal of Sen's 'capability approach' in this paper, although much of his other published work also sheds light in this area, as do interviews which he has given.

<sup>10</sup> *Utilitarian Equality*, as understood within the discipline of economics, is achieved when the marginal utility gain achievable by all economic agents across all goods and services is equalised. As Sen explains: "The equality that utilitarianism seeks takes the form of equal treatment of human beings in the space of *gains and losses of utilities*. There is an insistence on equal weights on everyone's utility gains in the utilitarian objective function. ... The egalitarian foundation is, thus, quite central to the entire utilitarian exercise." *Inequality Re-examined*, pp.13-14. *Total Utility Equality* equalises the total utility secured by every economic agent. *Rawlsian Equality* equalises the ownership of certain social primary goods, which for Rawls himself are rights, liberties, power, opportunities, income, wealth and the bases of self-respect, unless an unequal distribution of any or all of these goods is to the advantage of the least favoured person within any pairing. In general a 'primary good' is supposed to be useful, or at least not harmful, to anyone, regardless of their plan for life or their conception of the good. It is worth noting that Sen and Rawls have engaged in extensive dialogue, and that Rawls, in his most recent reply to Sen, states that his framework 'does recognise the fundamental relation between primary goods and persons' basic capabilities', *Justice as Fairness*, p.169.

different utility functions with regard to income. At this stage in his argument he is not challenging the utilitarian view that happiness, or pleasure, is the sole ingredient of well-being, although this is a view which he is opposed to, but rather is demonstrating that even with utility as the sole measure of value, utilitarian equality is flawed as a concept, on logical and technical grounds, when it is inspected with reference to matters of equality. This is because distributional inequalities are almost bound to arise, once one relaxes the assumption that each person has an identical utility function. Sen demonstrates, therefore, that in the real world of diverse human beings the concept of utilitarian equality is starved of any real correspondence to egalitarianism.<sup>11</sup>

The total utility equality approach answers this particular criticism, but, as Sen goes on to observe, it brings with it problems of its own. Such an approach lacks concern both for questions as to intensity of need on the part of individuals, and for the fact that many people may have their interests overridden in the desire to promote the interests of the single worst off individual. However, in noting that utilitarianism is in fact a special case of the welfarist view, that the goodness of a situation should be judged by the goodness of the utilities in that situation, Sen then turns his attention to the question as to whether utility, understood as desire-fulfilment, is adequate as the basis of an informational system in the context of economic decision making, and in particular opens out the question as to the relationship between utility and moral worth. In addressing this question, Sen points to the relevance of certain types of non-utility information to moral judgements, raising the examples of libertarian considerations, the notion of ‘urgency’, and the question of exploitation.<sup>12</sup> While accepting that desire-fulfilment plays a part in any calculation of well-being, Sen concludes that what is needed ‘is the denial that a person’s well-being be judged *exclusively* in terms of his or her utilities.’<sup>13</sup>

As an example of a theory of equality which is not based upon utility, Sen takes the work of John Rawls, founded upon primary social goods. Sen’s criticism of Rawls’s primary social goods approach, while noting its lack of interest in the diversity of human beings and their different needs, is focused upon what he takes to be the fetishism of the Rawlsian framework, when he claims that ‘Rawls takes primary goods as the embodiment of advantage, rather than taking advantage to be a *relationship* between persons and goods.’<sup>14</sup> Sen asserts that this relationship between persons and goods does need to be examined; it cannot simply be assumed to be linear. The utility approach of welfarism, and thus utilitarianism, is one way of explaining this relationship, in terms of the potential which goods, income and wealth have for satisfying human desires, that is, in providing utility, but Sen has already rejected this understanding as insufficient.

In seeking to make a step forward in this area, Sen argues that attention must be paid to what he terms ‘basic capability’, the ability of a person to do certain basic things such as move about, meet one’s nutritional requirements, clothe and shelter oneself, and participate in the life of the community. This, he suggests, follows in a Rawlsian line of thinking, but shifts attention from the primary goods themselves onto the *relationship* between the goods and the

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<sup>11</sup> See Sen, *Choice, Welfare and Measurement*, pp.354-358.

<sup>12</sup> *ibid.*, pp.363-364.

<sup>13</sup> *ibid.*, p.364.

<sup>14</sup> *ibid.*, p.366.

people who use them. Sen is cautious at this stage not to claim that the idea of basic capability can provide a sufficient basis on which moral judgements concerning equality can be made, since it makes no reference, for example, to issues of exploitation or discrimination, but he does claim that it is superior to the other indices of utility and primary goods.<sup>15</sup>

By taking an imaginary example of a contented cripple, Sen can advocate his case as follows:

'If it is argued that resources should be devoted to remove or substantially reduce the handicap of the cripple despite there being no marginal utility argument (because it is expensive), despite there being no total utility argument (because he is so contented), and despite there being no primary goods deprivation (because he has the goods that others have), the case must rest on something else. I believe what is at issue is the interpretation of needs in the form of basic capabilities.'<sup>16</sup>

In the years following his 1979 lecture, Sen has clarified and evolved this central insight, both in terms of the conceptual heart of his theory, and in terms of the linguistic tools he employs. Of central terminological importance is the difference between 'capabilities' and 'functionings'. Sen describes 'functionings' as being 'the various things a person may value doing or being.'<sup>17</sup> His claim is that 'functionings are *constitutive* of a person's being, and an evaluation of well-being has to take the form of an assessment of these constituent elements.'<sup>18</sup> A person's 'capability' is taken to be 'the various combinations of functionings (beings and doings) that the person can achieve. ... the 'capability set' in the functioning space reflects the person's freedom to choose from possible livings.'<sup>19</sup> This implicit interchangeability between 'capability' and 'freedom', understood as choice, becomes more notable in Sen's later work.<sup>20</sup>

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<sup>15</sup> Sen often illustrates the contrast between the utilitarian, Rawlsian and capability models with examples presented in the form of parables. For one such illustration, see Sen, *Development as Freedom*, pp.54-55. It is interesting to note, also, that Sen is keen to claim roots for his basic capability approach in the work of Adam Smith, see *ibid*, pp.73-74.

<sup>16</sup> Sen, *Choice, Welfare and Measurement*, p.368.

<sup>17</sup> Sen, *Development as Freedom*, p.75.

<sup>18</sup> Sen, *Inequality Re-examined*, p.39 (italics original).

<sup>19</sup> *ibid*, p.40.

<sup>20</sup> See especially Sen, *Development as Freedom*. This association of the capability approach with freedom demonstrates clearly why Sen must argue against Rawls's primary goods approach, with its fixed idea as to the ingredients constituting a well-lived life. Sen also contrasts the notion of freedom with the selfishness implied by utilitarianism: 'The restriction of having to assume self-interested behavior can be removed if our primary concern is with substantive freedoms that people enjoy (no matter for what purpose they use these freedoms), not the extent to which their self-interests are fulfilled (through their own self-interested behavior).' *ibid*, p.118. Further to this point he also states as part of his criticism of the assumption of universal self-centeredness that 'values do have very considerable reach in influencing the behavior of individuals', *ibid*, p.279. Selfishness is, of course, connected strongly to the doctrine of the Fall, and positive theological appraisals of capitalism make explicit this connection, as, for example, in the work of Brian Griffiths, when he argues that 'not the least of our problems in attempting to apply the Christian faith to social and

### 3. Four Key Questions

By questioning some of the central assumptions usually made within economics, the hint is given that Sen's work might, at root, be engaged in a fundamental re-casting of economic thought. Ultimately, Sen has been keen to press his capability approach into practical use<sup>21</sup>, and others have followed in like manner.<sup>22</sup> However, of more concern in this paper are the conceptual aspects of his theory, and the need to uncover what exactly it is that Sen is seeking to say about human well-being. It is clear that he is not content with the utilitarian idea, that happiness or desire-fulfilment can provide the only measure of well-being. He is also concerned to argue that measures of well-being which are completely reliant upon opulence, whether with regard to primary goods or to total income, or indeed other indications of wealth, are lacking in some important aspect. Careful exposition of Sen's thought is needed, however, when it comes to forming a view as to what he actually argues for.

It is proposed, then, in this paper to engage upon a theological appraisal of Sen's work in the field of 'basic capability' by means of a careful examination of four key questions which, it is suggested, are thrown up by his theory. These key questions do not necessarily arise out of any internal inconsistency within Sen's thought, and, indeed, relate to matters which, in various ways, he has himself recognised and commented upon. They are, however, four key questions which, once addressed, might help in an exploration of the substance and scope of Sen's criticisms of utilitarianism, as appraised theologically. It should also be possible to gain some clarity when it comes to considering the alternative possibilities that potential problems raised by these questions are either merely linguistic, or more fundamental and conceptual in nature. Put another way, the task is to be one of exploring the *content* of any apparent resonance between Sen's 'basic capability' approach and the, theologically understood, notion of a well-lived life. The four key questions can be set out as follows.

First, a question arises on the matter of 'freedom'. It is clear that Sen uses the idea of freedom in a particular way, tightly related to the concept of choice. In this he appears very much to be aligned with main-stream economic thinking. In theological terms, the idea of freedom is associated with human dignity, as being made in the image of God, but connects

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economic life is that the fashionable words of Christian theology which are so much the currency of current clerical comment - love, peace, justice, compassion and fellowship - need to be taken alongside those unfashionable expressions which seem to be in such scarce supply - sin, judgement, evil, lust, hell.', in *Morality and the Market Place*, p.15. However, it is agreed that there must be more to the general picture than selfishness alone, and that, in particular, a role for justice must be allowed for.

<sup>21</sup> See in particular Drèze and Sen, *India: Economic Development and Social Opportunity*.

<sup>22</sup> See, for example, Alkire, *Valuing Freedoms*, for an application of Sen's thinking to an Oxfam project with rose-growers in India. Other examples of such studies include: Chakraborty, 'On the Possibility of a Weighting System for Functionings', *Centre for Development Studies, Working Paper No. 286*; McKinley, 'Measuring the contribution of culture to human well-being: cultural indicators of development' in UNESCO *World Culture Report: Culture, Creativity and Markets*, pp.322-332; Qizilbash, 'Pluralism and Well-being Indices', *World Development* 25, pp.2009-2026.

also to an objective sense of truth, while questions relating to choice and vocation are also pertinent. However, there remain interesting nuances within Sen's approach to freedom as a concept, such that the question remains open as to whether a theologically informed understanding of freedom could be seen to sit comfortably alongside his proposals.

Secondly, Sen leaves his theory deliberately open when it comes to the specification of desirable functionings. He seems specifically to resist any attempt to employ language about particular virtuous functionings, which, in contrast, would be something which a theologically informed understanding of virtue would seek to do. The question here, then, relates to the need to discover the basis of his argument on this matter, and to discern whether the discordance is truly fundamental or not.

Thirdly, despite his critique of utilitarianism, and notwithstanding his focus upon 'beings and doings', there appears to remain a strong consequentialist strand within Sen's work, in particular his fondness of describing functionings as 'achievements'. It will therefore be important to locate Sen within a discussion of means and ends, and to test Sen's writings against a theologically informed understanding of such matters. The question as to the role which Sen is assigning to his functionings, and so their place within a theological world-view, might then be addressed.

Fourthly, in taking his starting point as a consideration of equality, Sen betrays the fact that measurable quantities of 'things' are of particular interest to him. This, again, is very much a feature of economic theory in general, but connects to an important discussion concerning value, and in particular the distinction between 'exchange value' and 'use value'. The question here revolves around the discussion as to whether value is best seen as being *derived* in some subjective manner, or whether it is in some sense *given*. It will be necessary, then, to uncover what exactly it is that Sen understands when it comes to the matter of value, and its relationship to his concern for equality, as well as the role for value within his broader characterisation of human well-being. This aspect of his thought will also need to be assessed alongside a theologically informed understanding of value.

These four key questions, as sketched out above, remain sufficiently distinct for an appraisal of each in turn to be attempted. However, they clearly relate to one another in various substantial ways. The connection, it might be suggested, lies within the general subject of 'virtue', and it comes as no surprise, therefore, to learn that Sen's work has been noted as having a considerable resonance with Aristotelian thought.<sup>23</sup> While Sen himself was not initially aware of this resonance, it having been pointed out to him he was quick to acknowledge it and to embrace it in certain respects. At heart, the harmony of thought here is to do with Sen's proposal that human functionings, their beings and doings, are fundamental to the very nature of human well-being, the Aristotelian *eudaimonia*.<sup>24</sup>

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<sup>23</sup> See in particular Nussbaum, 'Nature, Function, and Capability: Aristotle on Political Distribution' in *Oxford Studies in Ancient Philosophy - Supplementary Volume 1988*, pp.145-184.

<sup>24</sup> In this regard, Sen writes: "...the effect of 'other-regarding' concerns on one's well-being has to operate *through* some feature of the person's own being. Doing good may make a person contented or fulfilled, and these are functioning achievements of importance. In this approach, functionings are seen as central to the *nature* of well-being, even though the

The potential discovery of a connection between economics and virtue theory should be seen as exciting. The possibility is raised that a robust and intellectually coherent theory of economics, which pays proper attention to the profound aspects of human life and of human well-being, is being proposed. In essence, then, the following question is posed: does Sen really have a place for virtue? Furthermore, if virtue, as a concept, is somewhat abstracted from time and place, the subsequent, and more challenging, question might also be put: does Sen have a place for vocation?<sup>25</sup> Therefore, as the four key questions, set out above, are addressed in turn, these central matters of virtue and vocation will form the backdrop to the discussion, providing the reference points employed in the appraisal which follows.

#### 4. *Sen and Freedom*

Freedom, as was noted above, is understood by Sen to relate to the breadth of personal choice. His favourite example of an instance within which freedom, or choice, plays a demonstrably central role is that of starvation and fasting.<sup>26</sup> The observable result of both might be the same, while the key difference is that of the freedom to follow a particular course of action. To follow Sen's terminology, the person who is starving has a restricted capability, while the person who fasts is taking advantage of their wider capability set, or freedom, in choosing a particular functioning with respect to food. This example demonstrates Sen's essential point, that freedom, understood in this way, is a central and intrinsic contributor to well-being. In an early form of his thinking in this area he puts it in the following way:

'To consider acts of substantial choosing as being among the relevant 'functionings', is supportable also from the point of view that the quality of life a person enjoys is not merely a matter of what he or she achieves, but also of what opinions the person has had the opportunity to choose from. In this view, the 'good life' is partly a life of genuine choice, and not one in which the person is forced into a particular life - however rich it might be in other respects.'<sup>27</sup>

The maximising behaviour associated with utilitarianism finds it hard to reflect such a central role for freedom, since the 'best' outcome is the only yardstick that counts, and there must only be a single 'best' outcome.<sup>28</sup> However, Sen is careful to note that freedom is not

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*sources of well-being could easily be external to the person.*" 'Capability and Well-Being' in eds Nussbaum & Sen, *The Quality of Life*, p.36.

<sup>25</sup> It might be suggested that vocation should be understood as conveying the idea of a unique and unrepeatable history, and so, for the Christian, as involving an obedient response to God within the historical context of a lived-out life. If 'virtue' is characterised as being a concern of moral philosophy, then it is possible to understand 'vocation' as being the related concern of theology. The two clearly connect, but a tension is provided by the uniqueness and historicity implied by vocation.

<sup>26</sup> For instances of this example see Sen, 'The Standard of Living' in ed. Hawthorn, *The Standard of Living*, p.37; *Inequality Re-examined*, p.52; 'Capability and Well-Being' in eds Nussbaum & Sen, *The Quality of Life*, p.40.

<sup>27</sup> Sen, *Commodities and Capabilities*, pp.69-70.

<sup>28</sup> Sen calls this the instrumental view of freedom, and suggests that such a view is severely

just a matter of the *number* of choices; the value attached to those options, and the scope of freedom to choose amongst them, must also be taken into account.<sup>29</sup>

Sen's conception of capability expansion is, however, apparently not dependent entirely upon even a real and meaningful increase in freedom and choice. He acknowledges the possibility of non-choice factors in the determination of capabilities, for example in a person's metabolic rate, although his theme is still one of 'expanding the limits of choice'<sup>30</sup>, and also discusses at some length the thought that more freedom of choice can act against a person's well-being.<sup>31</sup> However, on this latter point he goes on to argue that: 'Some of the perceived conflict between freedom and advantage arises from an underspecification of freedom... The problem relates to the inescapable requirement of valuation involved in the assessment of freedom.'<sup>32</sup> It is possible, then, for Sen to attach value to a state of affairs by which one is free from having to make choices. In so doing, however, he reveals the understanding that ultimately value *is* enhanced by freedom, properly understood, and the odd hints he gives that more might be involved are not developed. For example, there is no proper exploration of the possibility of non-choice capabilities as characterised by habit or by duty.

In his most recent treatment of this precise area, Sen is able to write: 'A person's "capability" refers to the alternative combinations of functionings that are feasible for her to achieve. Capability is thus a kind of freedom: the substantive freedom to achieve alternative functioning combinations (or, less formally put, the freedom to achieve various lifestyles).'<sup>33</sup> In the light of the above discussion, it would seem possible to argue that Sen has here somewhat over-interpreted his own position, by explaining 'alternative functioning combinations' as being characterised by 'various lifestyles'. A combination of functionings conveys the idea of a market, where choices are taken about which goods and services are to be procured. A choice made in one way today can easily be made in a different way tomorrow. It might be suggested, however, that a lifestyle is rather different. It corresponds more to a career, or to a way of life which cannot be changed from day to day. The choice to become a teacher, for example, is one which shapes a person's life. It would seem that Sen does *not* have in mind such a 'life-directing', or vocational, choice when he talks about alternative functioning combinations; the illustration he gives at this point is once again that of fasting and starving.<sup>34</sup>

A theologically informed understanding of freedom would, in contrast, need to incorporate ideas of vocation and duty. At root, it can be argued, such an approach is based, at least in part, upon the biblical injunction, that 'the truth will make you free'<sup>35</sup>, a statement

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incomplete, see 'Development as Capability Expansion' in eds Griffin & Knight, *Human Development and the International Development Strategy for the 1990s*, p.49.

<sup>29</sup> See 'Capability and Well-Being' in eds Nussbaum & Sen, *The Quality of Life*, pp.34-35.

<sup>30</sup> Sen, *Commodities and Capabilities*, p.27.

<sup>31</sup> Sen, *Inequality Re-examined*, p.59 & pp.62-64.

<sup>32</sup> *ibid*, p.64.

<sup>33</sup> Sen, *Development as Freedom*, p.75.

<sup>34</sup> The discussion here relates to David Schmidtz's suggestion of 'maieutic ends', different to both final ends and instrumental ends, an example being a career or a committed relationship, see *Rational Choice and Moral Agency*.

<sup>35</sup> John 8:32.

which, as the context makes clear, is founded upon the injunction that true disciples of Jesus must continue in his Word.<sup>36</sup> The Christocentricity of such an understanding of freedom is fundamental, but the underlying approach, which sees freedom as something which comes with ‘ought’ or ‘should’ statements is of significance in itself. It is only someone who has the freedom to choose that can sensibly be addressed with the demand that he or she *should* follow a certain course of action.

As Iris Murdoch put it, albeit non-Christocentrically: ‘freedom is not strictly exercise of the will, but rather the experience of accurate vision which, when this becomes appropriate, occasions action.’<sup>37</sup> The need to puzzle over choices concerned with different possible actions is, therefore, under this view, not a sign of personal freedom, but instead an indication that a person has not fully grasped the accurate vision, the truth. To put it another way: ‘Only those whose desires are in order can know what freedom is as well as what restraints and obstacles to freedom are all about.’<sup>38</sup> As Nigel Biggar writes, when commenting on the hypothetical ‘happy fool’, whose desires are not in order, and so whose view of freedom is restricted: ‘We could also reasonably doubt their well-being because of their lack of freedom; because of their being driven by physical and psychological passions; because of their inability to pay attention to anything other than the next drink or the next fix.’<sup>39</sup>

To speak theologically about ‘accurate vision’, or of having one’s desires in order, is to speak of the Christian life, shaped by scripture, reason and tradition. Sen is not a Christian, and indeed is often sceptical when it comes to matters of religion in general.<sup>40</sup> However, there are indications that his thoughts on freedom might resonate, at least in part, with a theological world-view. It is clear, for example, that he is particularly interested in promoting the importance of education, and, in general terms, of people being well-informed.<sup>41</sup> Here there is at least a hint that freedom is not merely to do with a radical choice-maximisation, but also might contain within it the associated need for personal growth and moral formation. In this regard, Sen makes most strongly the point that for a democracy to function properly, informed discussion and debate within a context of widespread public participation and dialogue are important.<sup>42</sup> There is a sense, then, that for Sen freedom must be seen within a social framework, but it remains true that the element of choice is dominant. It is of significance that he can claim the role of a universal value for democracy, and that the democratic process

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<sup>36</sup> Beasley-Murray comments as follows on this point: ‘The primary duty of a believer is indicated in the exhortation of Jesus, “Remain in my word.” That is the mark of a real disciple. Μείνητε signifies a settled determination to *live* in the word of Christ and by it, and so entails a perpetual listening to it, reflection on it, holding fast to it, carrying out its bidding.’ in *Word Biblical Commentary - John*, p.133.

<sup>37</sup> Murdoch, *The Sovereignty of Good*, p.67.

<sup>38</sup> In *A New Dictionary of Christian Theology*, p.217.

<sup>39</sup> Biggar, *Good Life*, p.21.

<sup>40</sup> For examples of this scepticism see *Development as Freedom*, p.13, p.32 & p.282.

<sup>41</sup> See especially Sen, ‘Development as Capability Expansion’ in eds Griffin and Knight, *Human Development and the International Development Strategy for the 1990s*, p.55, where he suggests that the ability to exercise freedom may be ‘directly dependent on the education we have received’, and promotes the need for ‘informed and intelligent evaluation’ of the lives we might choose to live.

<sup>42</sup> Sen, *Development as Freedom*, p.158.

should be seen as having a 'constructive function in the formation of values.'<sup>43</sup> It would seem, then, that the notion of a virtue of well-informedness, while present, is in danger of being lost under the weight assigned by Sen to freedom and democracy.

There is, therefore, a tension within Sen's thinking, created by his different strands of thought when it comes to freedom. The element of personal formation is there, but it exists within a framework which does not appear to be securely earthed to any universal set of values, except that of democracy, or choice itself. One might then ask of Sen the question as to whether he believes that virtuous behaviour is a matter of free choice. The matter of choosing a lifestyle is ostensibly of importance to Sen as having real value<sup>44</sup>, as is the need for society to be free and open in its collective decision-making as to 'what they want and what they have reason to accept.'<sup>45</sup> It is less clear as to how the collective nature of value formation is actually to operate within the context of free participation, although it is noteworthy that Sen can write that freedom 'does impose on the person the duty to consider whether to do it or not, and this does involve individual responsibility.'<sup>46</sup> It is perhaps true, then, that for Sen the importance of personal free choice is balanced to an extent by the notion of duty, and of the kind of objectivity which well-informed collective decision-making might introduce, even if he makes no reference to the life-directing, vocational choices, which were pointed to earlier.

There is, in fact, an even more fundamental question at stake here, relating to choice and virtue. Is it correct, we might ask, to speak of a virtue as *informing* a well-made choice? Alternatively, is it better to refer to a virtue as *the thing chosen* (one of the 'alternative functioning combinations', as Sen would put it)? The first of these questions can be re-stated as follows: 'Does it make sense to talk about *choosing well*?' The answer might be that it does not, since, in the abstract, a choice is simply a choice between two equally attractive possibilities. An apple or an orange are both enjoyable as a piece of fruit, with only personal preference to divide them. However, once differences are introduced, the notion of choice is reduced. If the apple is known to be fairly traded, and, what is more, unlike the orange has no pesticides impregnated within it, these being known to have a high probability of making one ill, then the choice begins to make itself. In more general terms, the introduction of good and evil acts to reduce choice. While it would be too strong to state that choice is *completely* abstracted from value, it is nevertheless the case that choice tends to abstract from value.

In applying these insights to Sen's work, it is apparent, first, that he places great stress upon the freedom to choose different lifestyles, as characterised by alternative functioning combinations, but also, secondly, that such choices are not simple, or abstracted from value, since they rely upon the virtue of well-informedness. Mainstream utilitarian economics does not, it would seem, have a place for a putative virtue of well-informedness, conceived of as being prior to choice, since any notion of being well-informed relates only to personal preferences. If, therefore, Sen does in fact hold to the prior virtue of being well informed and discerning, and so to a unitary idea of virtue, then he has made a significant and potentially fruitful philosophical step away from utilitarian economics. The crucial question remains as

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<sup>43</sup> Sen, 'Democracy as a Universal Value', *Journal of Democracy*, 10:3, p.16.

<sup>44</sup> See Sen, *Inequality Re-examined*, p.52.

<sup>45</sup> Sen, *Development as Freedom*, p.32.

<sup>46</sup> *ibid*, p.284.

to how committed Sen is to this unitary conception of virtue. Such a question becomes especially pointed when Sen's tendency to view freedoms as quantifiable is noted.

In this regard, Sen proposes the idea of 'efficiency in terms of liberty'<sup>47</sup>, and of 'valuing liberty'<sup>48</sup>. He is ready to speak of the room that there is 'for explicit valuation in determining the relative weights of different types of freedoms in assessing individual advantages and social progress'<sup>49</sup>, and, while he is keen to point to the 'freedom of individuals to live long and live well'<sup>50</sup>, the way in which he goes on to quantify such freedom is purely by reference to life expectancy; the freedom to live well drops out of the picture.

'Efficiency... in terms of *individual freedoms*'<sup>51</sup> might be a troubling concept, if one was keen to hold to a unitary conception of virtue, although it seems probable that Sen is suggesting by this that there should be a kind of equality of capacities:

'Efficiency in the capability space, if defined analogously to the usual definitions of 'economic efficiency' (characterized in terms of the utility space), would require that no one's capability can be further enhanced while maintaining the capability of everyone else at least at the same level.'<sup>52</sup>

Further consideration of efficiency and equality in Sen's work will be taken up subsequently, as part of a more general discussion of value, although it is as well to note, in addition, that he does recognise the social dimension of freedom when he states that 'being free to live the way one would like may be enormously helped by the choice of others'<sup>53</sup>, and when he claims that his basic approach involves seeing 'individual freedom as a social commitment.'<sup>54</sup> Thus, while the question as to Sen's committedness to a unitary conception of virtue cannot be resolved here, it is at least helpful to have noted the tension within his thought.

By way of a final point of comparison between Sen's basic capability approach and a theological understanding of freedom, it is as well to recall that there is a strong tradition within Christian reflections in this area which lays stress upon free human agency. The account of the Fall in Genesis chapters 2 and 3 underpins this important aspect of human nature, and the doctrine of free will flows from this. It is part of the dignity of human beings that they are faced with the questions which arise out of a knowledge of good and evil, even as it is also part of their fallenness. The human search for God is a search characterised by decisions and by the virtues which are developed out of those decisions.<sup>55</sup> Romanus Cessario

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<sup>47</sup> Sen, *Inequality Re-examined*, p.25.

<sup>48</sup> *ibid*, p.32.

<sup>49</sup> Sen, *Development as Freedom*, p.30.

<sup>50</sup> *ibid*, p.5.

<sup>51</sup> *ibid*, p.117.

<sup>52</sup> Sen, *Inequality Re-examined*, pp.143-144.

<sup>53</sup> Sen, 'Capability and Well-Being' in eds Nussbaum & Sen, *The Quality of Life*, p.44.

<sup>54</sup> Sen, *Development as Freedom*, p.xii.

<sup>55</sup> While a 'choice' and a 'decision' are usually seen to be synonymous, it could be suggested that the latter brings with it more of a sense of embodiedness; a choice made within the context of a particular life.

notes this aspect in the writing of Thomas Aquinas, when he comments as follows:

‘Unless a capacity can perform in many different ways, insists Aquinas, the human person need not acquire in that area of human activity whatever perfection *habitus* produces. ...*habitus* development does not take place in anyone without the exercise of some agency. Theological ethics must hold that *habitus* develop either as a result of human agency or, according to the teaching of the faith, as a result of divine benevolence.’<sup>56</sup>

While not allowing specifically for divine benevolence, Sen does place considerable weight upon human agency as a means by which human well-being is fostered. He is able to state quite clearly that freedoms are ‘not only the primary ends of development, they are also among its principal means.’<sup>57</sup> A theological account would wish to add the crucial ingredient of divine revelation, and the reflection thereupon, but there seems to be nothing in Sen’s work which would rule out such an addition on conceptual grounds. Less clear, as has been noted, is the extent to which Sen has space for the settled, virtuous, well-lived life, within his more general view of freedom as choice.

### 5. Sen and the Specification of Desirable Functionings

The need now is to revisit the questions relating to the ways in which virtuous behaviour is cultivated in a person, and, in so doing, to begin a consideration of the second key question noted above, that of Sen’s stated desire not to specify particular desirable functionings. That this matter contains difficulties is something that has been noticed by various commentators upon Sen’s work, in particular Martha Nussbaum, who explains her concern in the following way:

It seems to me, then, that Sen needs to be more radical than he has been so far in his criticism of utilitarian accounts of well-being, by introducing an objective normative account of human functioning and by describing a procedure of objective evaluation by which functionings can be assessed for their contribution to the good of human life.<sup>58</sup>

Nussbaum’s reasons for following this suggestion arise out of a general admiration towards Sen’s approach, as being conceptually connected to Aristotle’s view, in the *Nicomachean Ethics*, of the human good, and of a person’s functionings being in accordance with virtue. As is well known, Aristotle uses the idea of *eudaimonia*, his ‘chief good’, which can be described as being ‘activity of reason in accordance with excellence, in a complete life.’<sup>59</sup> However, Sen, although acknowledging that the specific nature of the Aristotelian view, with its ideal list of functionings, is *consistent with* his capabilities approach, notes that it is by no means *required* by it. He also accepts that the incompleteness of his theory would

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<sup>56</sup> Cessario, *The Moral Virtues and Theological Ethics*, p.43, commenting on the *Summa Theologiae*, I, II, q.49 a.4. The *habitus*, according to Cessario, ‘provide the whole person with settled capacities for action which surpass the simple ability to exercise will power’, p.42.

<sup>57</sup> Sen, *Development as Freedom*, p.10.

<sup>58</sup> Nussbaum, ‘Nature, Function, and Capability: Aristotle on Political Distribution’ in *Oxford Studies in Ancient Philosophy - Supplementary Volume 1988*, p.176.

<sup>59</sup> Broadie & Rowe, *Aristotle Nicomachean Ethics*, p.12.

be eliminated by the Aristotelian approach, but nevertheless holds back, explaining his caution in the following words:

‘My difficulty with accepting that as the *only* route on which to travel arises partly from the concern that this view of human nature (with a unique list of human functionings for a good human life) may be tremendously over-specified, and also from my inclination to argue about the nature and importance of the type of objectivity involved in this approach. But mostly my intransigence arises, in fact, from the consideration that the use of the capability approach as such does not require taking that route, and the deliberate incompleteness of the capability approach permits other routes to be taken which also have some plausibility.’<sup>60</sup>

For Sen, then, the basic capability approach defines a class of theories, not one particular theory of right living.<sup>61</sup> He recognises the difference between what he terms ‘self-evaluation’ and ‘standard evaluation’, and accepts the potential usefulness of both, the latter in terms of ‘contemporary standards’.<sup>62</sup> However, his conclusion on this matter is that ‘the ambiguities in evaluation (even in identification of ‘contemporary standards’) may require us to be silent on some comparisons while being articulate on others.’<sup>63</sup> If articulation is to be attempted, Sen sees this in terms of measurable values, and concludes as follows: ‘There is thus a strong methodological case for emphasising the need to assign explicitly evaluative weights to different components of quality of life (or of well-being) and then to place the chosen weights for open public discussion and critical scrutiny.’<sup>64</sup> Any sense of a ‘right way to live’ is, therefore, for Sen controlled by public scrutiny, and so must be provisional, always subject to change as the cultural and historical context changes. Indeed, Sen conceives of a dynamic relationship here, when he argues that ‘the exercise of freedom is mediated by values, but the values in turn are influenced by public discussions and social interactions, which are themselves influenced by participatory freedoms.’<sup>65</sup>

Is there, then, for Sen any concept of a truly objective set of values? The only hint that there might be comes with his suggestion that the valuing of freedom itself should be universally accepted, and that tolerance towards freedom is important. As he states: ‘It will not have escaped the reader that this book is informed by a belief in the ability of different people from different cultures to share many common values and to agree on some common commitments. Indeed, the overriding value of freedom as the organizing principle of this

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<sup>60</sup> Sen, ‘Capability and Well-Being’ in eds Nussbaum & Sen, *The Quality of Life*, p.47. Sen’s metaphor of the ‘route’ here would seem to refer to ‘theoretical routes’, not to the actual ‘route’ taken by a good human life.

<sup>61</sup> Sen, ‘The Standard of Living’ in ed. Hawthorn, *The Standard of Living*, p.19. See also Sen, ‘Development as Capability Expansion’ in eds Griffin and Knight, *Human Development and the International Development Strategy for the 1990s*, p.43, where the specific point is made that Aristotle’s notion of objective goodness must be seen as a sub-set of the capability approach.

<sup>62</sup> Sen, ‘The Standard of Living’ in ed. Hawthorn, *The Standard of Living*, pp.30-31.

<sup>63</sup> *ibid*, p.33.

<sup>64</sup> Sen, *Development as Freedom*, p.81.

<sup>65</sup> *ibid*, p.9.

work has this feature of a strong universalist presumption.<sup>66</sup> As part of this claim Sen produces evidence that all cultures, and at different times in history, have seen voices 'persistently raised in favor of freedom.'<sup>67</sup> It is this aspect of Sen's work which, reinforced by his readiness to set out lists only in terms of desirable instrumental freedoms<sup>68</sup>, and not of desirable capabilities or functionings, suggests that at heart he is a pluralist when it comes to the specification of functionings, or virtues. The most that he can say is that a 'good life' is the opposite to one marked by unfreedom<sup>69</sup>, and that the desirable instrumental freedoms can 'directly enhance the capabilities of people.'<sup>70</sup> Thus, importance is attached primarily to our 'own values and objectives, whether or not we assess them in terms of some external criteria as well.'<sup>71</sup> Sen might, then, be characterised as a kind of minimal paternalist.

In contrast, theological reflection on the matter of desirable functionings, or virtues, has a much more objective focus. At heart, this is founded upon discipleship, and the model of Christ. In biblical terms, Luke Timothy Johnson argues as follows:

'The four canonical Gospels are remarkably consistent on one essential aspect of the identity and mission of Jesus. Their fundamental focus is not on Jesus' wondrous deeds nor on his wise words. Their shared focus is on the *character* of his life and death. They all reveal the same *pattern* of radical obedience to God and selfless love toward other people. All four Gospels also agree that discipleship is to follow the same *messianic pattern*.'<sup>72</sup>

Such a foundational view has been developed and schematised in a variety of ways within the Christian tradition. Augustine understood human virtue as being entirely characterised by love, and stated that particular virtues mediated love.<sup>73</sup> Aquinas had what might be termed a semi-pluralistic approach, under which there exist a variety of virtues, but all held together in a proper scheme.<sup>74</sup> For them both, the over-arching principle was that of morally good human activity being ordered towards the discovery and appropriation of a full relationship with God. Happiness or fulfilment will always be imperfect and incomplete if this divine dimension is lacking. It is important to note, therefore, that the conceptual approach involved here should be seen as teleological, or as Brian Davies puts it in his

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<sup>66</sup> *ibid*, p.244.

<sup>67</sup> *ibid*, p.246.

<sup>68</sup> *ibid*, pp.38ff. It is worth noticing that a substantial number of those working in this field from within the social sciences have, in contrast to Sen, been moved to formulate lists of features of well-being; see summary in Alkire, *Valuing Freedoms*, pp.26-27, which mistakenly fails to distinguish Sen's quite different outlook.

<sup>69</sup> Sen, *Development as Freedom*, p.14.

<sup>70</sup> *ibid*, p.40.

<sup>71</sup> *ibid*, p.19.

<sup>72</sup> Johnson, *The Real Jesus*, pp.157-158.

<sup>73</sup> See *City of God* 15:22: 'Hence, it seems to me that a brief and true definition of virtue is 'rightly ordered love'.' For a fuller discussion of this aspect of Augustine's thought, see *Augustine through the Ages*, pp.509-510.

<sup>74</sup> The Roman Catholic tradition is particularly strong in presenting schemes of virtues, as exemplified by the work of Germain Grisez and his collaborators, see *Fulfillment in Christ*, pp.54ff.

interpretation of Aquinas, proper human action is a ‘voluntary aiming for an end perceived as good.’<sup>75</sup> One might speak of an authentic self-direction, or even of a vocation, and point to the need to recognise the importance of prayer, biblical reflection in the context of Christian worship, and in general a life of participation within a Christian community. There is, then, a sense that a well-lived life is given, and not evolved out of individual human desires, unless they are oriented towards God.

That Sen does not provide a place for the journey towards God is hardly surprising, but of more concern is the divergence between his clear preference for a radically pluralistic framework when it comes to specification of ‘good functionings’, and the objective elements implicit within a theological approach. However, while the authentic self-direction of the believer towards God is certainly different to the personal exercise of freedom advocated by Sen<sup>76</sup>, it can nevertheless be suggested that the two do have conceptual similarities. There has always been a strand within Christian reflection in this area, perhaps stronger in the Eastern churches, which has talked about freedom as an element within the unity of virtue, and thus has seen a role for the individual out-working of a virtuous life. An example would be Maximus the Confessor, of the seventh century, who was one of the earliest thinkers to suggest the idea of the will, and of whom Andrew Louth comments:

‘For Maximus, what is distinctive about being human is self-determination (*autexousious kinêsis*: movement that is within one’s own power). Twice Maximus takes his definition of what is involved in self-determination from the fifth-century bishop, Diadochus of Photikê: ‘self-determination is the unhindered willing of a rational soul towards whatever it wishes.’ This self-determination is not, however, absolute: human beings are created in God’s image, and it is in their self-determination that they reflect God’s image. This self-determination is, then, ordered towards God: human beings are creatures whose nature finds its fulfilment in their freely turning towards the God to whom they owe their being.’<sup>77</sup>

It is, perhaps, within a theological understanding of creation, such as that put forward by Maximus, that Sen’s proposals on the non-specification of desirable functionings can be viewed most sympathetically. Virtue, for Sen, is not entirely a merely formal notion: something pursued by someone. In his appeal to voices which have always been raised in support of freedom and tolerance, and in his claim that democracy should be seen as a universal value, there are at least hints that human nature has a certain givenness, or even createdness, although he would not put it in this way.

It is possible to argue that there is nothing in what Sen says on desirable functionings which a Christian would not wish to say, even if the Christian would want to go further, and make explicit their theological understanding of creation, and of the connections between creation and Christ.<sup>78</sup> Beyond this, there is rich scope for ecclesiological reflection in this

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<sup>75</sup> Davies, *The Thought of Thomas Aquinas*, p.227.

<sup>76</sup> Somewhat against Alkire, who seems to discern in the work of John Finnis a close congruence of the two, see *Valuing Freedoms*, pp.15ff.

<sup>77</sup> Louth, *Maximus the Confessor*, p.60.

<sup>78</sup> In this respect Richard O’Connor’s thinking on the theology of work and of vocation,

area, exploring the connections between church and society with particular reference to Sen's ideas of tolerance, democracy and well-informedness.

### 6. Sen and the 'Achievement' of Functionings

If there is at least a possibility of sustaining the view that Sen's understanding of virtue has real content, there does nevertheless remain an important further area of concern, set out as the third key question above. Sen is keen to shift the focus away from commodities, and away from utility, onto 'beings and doings', as has been noted. However, he is consistent in referring to the 'achievement' of these functionings<sup>79</sup>, and a question is therefore raised as to whether these functionings are really the *means* to a well-lived life, or if in fact they are the *end result* of a well-lived life. Sen is clear that 'achievement is concerned with what we *manage* to accomplish'.<sup>80</sup> He can also say that 'a functioning is an achievement of a person: what he or she manages to do or be.'<sup>81</sup> If, therefore, for Sen the sense of a person's accomplishment is to be considered as identical to what a person can do and be, it is important to seek further clarification as to where exactly the meaning of a 'functioning' lies on the ends-means spectrum in his thinking.

Sen is quite ready to accept the relatedness of the actions and the interest of a person, and, indeed, this is one of the starting points of his critique of utilitarianism.<sup>82</sup> In addition, it was noted earlier that Sen conceives of functionings as '*constitutive* of a person's being'<sup>83</sup>, even while he can use the language of achievements. Helpful is the example which he gives, of unemployment as a capability deprivation, when he suggests that 'there is plenty of evidence that unemployment has many far-reaching effects other than loss of income'.<sup>84</sup> If the ability to work is a functioning, then it seems clear that for Sen the 'achievement' involved is not merely the outcome of an income, but also involves the aspects of well-being associated with the act of working or, put another way, of following a vocation.

Such an interpretation of the meaning of Sen's 'achievement' is corroborated by what he has to say about the contrast between human capital and human capability:

'At the risk of some oversimplification, it can be said that the literature on human

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which he connects explicitly to these themes of creation, incarnation, redemption and eschaton, is instructive. See O'Connor, *Theology of Work*.

<sup>79</sup> Instances of this terminological style are ubiquitous in Sen's work. For notable examples see *Commodities and Capabilities*, p.5: "'Well-being' is concerned with a person's achievement: how 'well' is his or her 'being'?"'; 'The Standard of Living' in ed. Hawthorn, *The Standard of Living*, p.16: 'I have elsewhere called the various living conditions we can or cannot achieve, our 'functionings', and our ability to achieve them, our 'capabilities'.'; 'Capability and Well-Being' in eds Nussbaum & Sen, *The Quality of Life*, p.30: 'The capability approach to a person's advantage is concerned with evaluating it in terms of his or her actual ability to achieve various valuable functionings as a part of living.'

<sup>80</sup> Sen, *Inequality Re-examined*, p.31.

<sup>81</sup> Sen, *Commodities and Capabilities*, p.10.

<sup>82</sup> *ibid*, p.4.

<sup>83</sup> Sen, *Inequality Re-examined*, p.39.

<sup>84</sup> Sen, *Development as Freedom*, p.94.

capital tends to concentrate on the agency of human beings in augmenting production possibilities. The perspective of human capability focuses, on the other hand, on the ability - the substantive freedom - of people to lead the lives they have reason to value and to enhance the real choices they have. The two perspectives cannot but be related, since both are concerned with the role of human beings, and in particular with the actual abilities that they achieve and acquire. But the yardstick of assessment concentrates on different achievements.<sup>85</sup>

That Sen can refer to 'different achievements' at this point gives an indication that he is using the word in a somewhat fluid manner. While an achievement can be understood as an addition to income or production, it can separately, but relatedly, be understood as referring to an aspect of a life being lived. Sen gives education as an example:

'If education makes a person more efficient in commodity production, then this is clearly an enhancement of human capital. This can add to the value of production in the economy and also to the income of the person who has been educated. But even with the same level of income, a person may benefit from education - in reading, communicating, arguing, in being able to choose in a more informed way, in being taken more seriously by others and so on.'<sup>86</sup>

It seems probable, then, that Sen's talk of functionings as achievements can be provisionally accepted as involving a somewhat unusual use of the word achievement, a use which allows for the functionings in question to be understood as constituting, in some manner, the *means* by which a life might be well-lived.<sup>87</sup>

At heart, the question here relates to the *way* in which means and ends are related to one another, since both are clearly important. It might be suggested that there are two different concepts of 'means'. The first conceptual approach would see means as being instrumental in nature. For example, whether a vacuum cleaner or a brush is used, the end result is a clean room. The instrument used, the 'means', makes no difference, in principal, to the end result. Other instruments could equally well have been employed. In contrast, the second conceptual approach sees means as being participatory. If the end result is for a person to be a proficient pianist, the means to that end is a need to practise every day. There is no alternative to this 'means'. It is true to say, then, that, in this case, the means and the end are organically related, even while they remain distinct in some sense. Practising is the way in which a person becomes a pianist, and so it is by participating in the means that the end is arrived at. The means, understood as participatory, is not discarded once the end is achieved, but is *transformed into* the end.

In theological terms, the 'end' is God, and the 'means' might be characterised as a life of virtue, a life lived with reference to God. The means thus belongs intrinsically to the end,

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<sup>85</sup> *ibid*, p.293.

<sup>86</sup> *ibid*, pp.293-294.

<sup>87</sup> Wiebke Kuklys resolves this quandary by restating Sen's achievements as 'potential achievements'; see 'Sen's Capability Approach - an Alternative to Neoclassical Welfare Analysis?'.

and, in the light of the above distinction, virtue must therefore be understood as a *participatory* means to the end. Indeed, there is a sense in which God generates the means. While different Christian traditions of moral thought place the stress in different locations upon the ends-means spectrum, they do at heart, when executed well, remain true to this central insight, that the means should not be seen as being merely instrumental.<sup>88</sup>

Thus, Aquinas in particular, with his understanding that even the natural virtues, as opposed to the supernatural virtues of faith, hope and charity, need to be infused and directed to their proper end, guided by the supernatural virtues, provides an important balance between the understanding that virtue is, on the one hand, achieved and, on the other hand, gifted in some sense by God.<sup>89</sup> Aquinas, who draws heavily upon Aristotle throughout the *Summa Theologiae*, can, therefore, be said to give room for both the teleological pull given by, and the deontological movement towards, God. Aristotle, in a famous extract from the *Nicomachean Ethics*, put it in this way:

‘But we must not restrict ourselves to saying that it is a disposition; we must also say what sort of disposition it is. Well, one should say that every excellence, whatever it is an excellence of, both gives that thing the finish of a good condition and makes it perform its function well, as for example the eye’s excellence makes both it and its functioning excellent; for it is through the excellence of the eye that we see well.’<sup>90</sup>

In theologising this principle, Aquinas states the following:

‘Since every virtue is ordained to some good, as stated above, a habit [*habitus*], as we have already observed, may be called a virtue for two reasons: first, because it confers the capability of functioning well; secondly, because besides this, it confers the proper implementation of this functioning.’<sup>91</sup>

The theological backdrop is not explicit, but the sense of virtue being directed towards God, ‘ordained to some good’, is fundamental to Aquinas’s thought.

In connecting these reflections to Sen’s language of ‘achievements’, the essential question relates, it can be suggested, to the nature of the functionings which his theory proposes, and the way in which they connect to human well-being. A theological appraisal must ask the question as to whether these functionings are worthwhile *in themselves*. The language of achievements is, as has been noted, unpromising, but the examples given by Sen, outlined above, do, it could be argued, allow for a participatory meaning when it comes to functionings, and so imply that they are valuable in themselves. The question remains,

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<sup>88</sup> An example of deontological Christian thinking is given by Grisez and Shaw, who argue that the fundamental reality of moral action lies in ‘making oneself to be a certain sort of person by the choices one makes’, see *Fulfillment in Christ*, p.73, whereas the strong tradition of Christian teleological ethics, bounded often by certain principles or laws, is articulated, for example, in the work of Joseph Fletcher, see especially his *Situation Ethics*.

<sup>89</sup> See the discussion of virtue in *A New Dictionary of Christian Ethics*, p.649.

<sup>90</sup> Translation of *NE II,6*, from Broadie & Rowe, *Aristotle Nicomachean Ethics*, p.116.

<sup>91</sup> *Summa Theologiae*, I II q.57. 1.

however, as to how committed Sen is to seeing his functionings in participatory terms, and as intrinsically valuable.

### **7. Sen and the Measurement of Value**

The need now is to turn to the fourth key question raised by Sen's work, when appraised theologically, namely that concerned with the fundamental matter of value. The central feature of Sen's work which makes it so interesting to non-economists is the way in which he seeks to explore the ethical dimension of his subject. However, Sen is always keen to balance this 'ethical dimension' with what he terms an 'engineering dimension', which uses technical, mathematical tools. These two strands, he argues, have both been represented in economic thinking since at least the 4th Century B.C., and, while both being cogent, are always, he claims, addressed in synthesis by the greatest economists.<sup>92</sup> It is specifically in the context of economists' tendency in the 20th Century to stress the engineering dimension that Sen has been keen to pay more attention to the ethical considerations involved in shaping human economic behaviour. The engineering, or mathematical, dimension does, however, remain as an important element in Sen's work, as the following excerpt from an interview with Sen makes especially clear:

'The fact that novels or poetry are not precisely measurable like kilograms of milk or flour does not mean that they are not amenable to analytical investigation. Quite often, when people say that something is not precise enough, they are just underestimating the reach of mathematics. Mathematics is one of the greatest glories of humanity.'<sup>93</sup>

This important aspect of Sen's thinking is worked out most fully in his treatment of the subject of value. To talk of equality implies a need to conceive of value, and the task in terms of a theological appraisal will be to discover if Sen, in his treatment both of value and equality, says anything that a Christian would find it hard to agree with.

The matter of equality was, as has been noted above, the context within which Sen first began the exposition of his capability approach. Indeed, Sen argues that equality is a feature common to 'every normative theory of social arrangement that has at all stood the test of time'<sup>94</sup>, and bases his whole approach on the conviction that an equality of outcome, in some 'space' or other, should be the aim of social policy. Sen receives support, in theological terms, from Douglas Hicks, who argues that his capability approach can be used as the basis for a rewarding extrapolation, in the social and economic realm, from the central commitment to equality before God. As Hicks concludes: 'According to the Christian ethical approach (following Sen), the debate would be more fruitfully carried out in the space of functionings and capability than in the space of income alone.'<sup>95</sup>

For Hicks to sustain his argument, that the Christian ethical approach should follow

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<sup>92</sup> See Sen, *On Ethics and Economics*, pp.2-7.

<sup>93</sup> From an interview with Sen in *The Atlantic*, 15th December 1999, posted at [www.theatlantic.com/unbound/interviews/ba991215](http://www.theatlantic.com/unbound/interviews/ba991215).

<sup>94</sup> Sen, *Inequality Re-examined*, p.12.

<sup>95</sup> Hicks, *Inequality and Christian Ethics*, p.239.

Sen, the ontological equality before God, doctrinally implied by the Christian faith, must be successfully projected into the social arena, a move which might be challenged<sup>96</sup>, but which can be provisionally accepted for the purposes of the present discussion. Given, therefore, that Sen is keen to promote the search for equality in the space of functionings, it comes as no surprise that he is clear on the need for the functionings and capabilities postulated by his theory to be weighted and valued:

‘It is certainly clear that some types of capabilities, broadly conceived, are of little interest or importance and even the ones that count have to be weighted *vis-à-vis* each other. But these discriminations constitute an integral part of the capability approach, and the need for selection and weighting cannot really be, in any sense, an embarrassment. ... The primary claim is that in evaluating well-being, the value objects are the functionings and capabilities. ... The relative valuation of different functionings and capabilities has to be an integral part of the exercise.’<sup>97</sup>

There is therefore an important sense in which Sen can argue that ‘the amount or the extent of each functioning enjoyed by a person may be represented by a real number, and when this is done, a person’s actual achievement can be seen as a *functioning vector*.’<sup>98</sup> Sen is always keen to stress the practical difficulties in undertaking such a valuational exercise<sup>99</sup>, but still maintains the claim that it is, in principle, an important aspect of his conception of human functioning.

Crucially, for Sen the means by which value is imputed has an aspect of objectivity to it. This is hinted at when he argues that ‘valuing is not the same thing as desiring, and the strength of desire is influenced by considerations of realism in one’s circumstances.’<sup>100</sup> This is one of the key ways in which Sen diverges from utilitarianism, under which value is explicitly derived from desire, or at least the revealed preference of desire. While Sen accepts that desire might provide an *informational clue* to value, he is explicit in rejecting the idea

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<sup>96</sup> Equality, in theological terms, is founded upon the doctrine of creation, and the belief that all are made in God’s image, as well as the doctrine of the Fall, under which all are understood to have sinned, and the doctrine of salvation, by which Christ died for all. However, it can be argued that the ontological equality between all members of the human race which such doctrines imply need not necessarily have a linear connection to social or even economic equality, however defined. Even the social model of the Trinity, which is sometimes held to show the Holy Trinity as a template upon which human society should be based, must be qualified by the biblical concept of differentiation, seen most distinctively in Paul’s metaphor of the body of Christ, within which every member has their particular role, or, to borrow Sen’s terminology, participatory functionings.

<sup>97</sup> Sen, *Inequality Re-examined*, pp.45-46.

<sup>98</sup> Sen, *Development as Freedom*, p.75.

<sup>99</sup> For examples of Sen’s explicit recognition of the practical difficulties involved see *Commodities and Capabilities*, p.16, where he argues that a partial ordering, or ranking, may be the most one can hope to achieve, and *Development as Freedom*, pp.81ff, where he concludes that ‘some capabilities are harder to measure than others, and attempts at putting them on a “metric” may sometimes hide more than they reveal.’

<sup>100</sup> Sen, *Commodities and Capabilities*, p.21.

that one can state 'I desire x, and so I value it.'<sup>101</sup>

However, Sen also argues that:

'valuation is a *reflective* activity in a way that 'being happy' or 'desiring' need not be. A poor, under-nourished person, brought up in penury, may have learned to come to terms with a half-empty stomach, seizing joy in small comforts and desiring no more than what seems 'realistic'. But this mental attitude does not wipe out the fact of the person's deprivation. Nor does it imply that the person would not value the removal of that deprivation if it were to occur.'<sup>102</sup>

For valuation to be a *reflective* activity, a strong degree of subjectivity must be implied within the valuation process. One would normally hold that reflectiveness conveys the sense of thoughtfulness, and therefore that, for Sen, to discover something's value does in fact involve the derivation of that value from reflection upon it. Better would have been for Sen to have claimed a *reflexive* aspect for valuation, under which the sense that the value of something as *given*, prior to any reflection, is preserved. Sen does on occasion hint that such an approach might be conceived of, notably when he writes in the following way:

'While the identification of value-objects and the specification of an evaluative space involve norms, the nature of the norms must depend on precisely what the purpose of the evaluation is. Assessing well-being may take us in one direction; judging achievement in terms of the person's *overall* goals may take us in a somewhat different direction, since a person can have objectives other than the pursuit of his or her own well-being.'<sup>103</sup>

The possibility of 'norms', although interestingly not specifically of 'laws', is significant, but Sen proceeds to relativise even these, with reference to the 'purpose of the evaluation'. Even a person's overall goals are conceived of in subjective terms.

Sen's also applies widely his interest in efficiency. The idea of efficiency in terms of individual freedoms has already been noted above, and recognised as being concerned with the equality of capabilities. This is carried through when he promotes the thought that the question 'efficiency of what' might correspond to that asking 'equality of what'.<sup>104</sup> By asserting a correspondence here, Sen seems to be assuming a framework which is thoroughly 'exchange value' based. This is hardly surprising for someone so keen on the power of measurement by mathematical techniques, but it does throw up a problem, when appraised in theological terms.

There is an ancient tradition of distinguishing between something's exchange value and its use value. As Scott Meikle notes, for Aristotle 'use value and exchange value fall into the different categories of quality and quantity, and pursuing them as ends requires different

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<sup>101</sup> *ibid*, pp.31-32.

<sup>102</sup> *ibid*, p.29.

<sup>103</sup> Sen, 'Capability and Well-Being' in eds Nussbaum and Sen, *The Quality of Life*, p.35.

<sup>104</sup> *ibid*, p.50, footnote 53.

courses of action in each case.<sup>105</sup> Thus, the use value of labour is understood in terms of different types of activity undertaken by different people, each different in kind from others. Under this view there is no sense in which one could make a quantifiable comparison between, say, a builder's work in constructing a house and an artist's work in painting a picture. In contrast, the exchange value of labour is expressed only in terms of money, or some other exchangeable currency, so the builder's work is worth, say, three times the artist's work.

It is clear that any sense of vocation is allied strongly with the use value understanding of labour, and this is why it has appealed to Christian thinkers. Utility is clearly the exchange value measure *par excellence*, but Aristotle's *eudaimonia*, his chief good, is quite specifically not measurable against other 'goods'. As Sarah Broadie notes of Aristotle's thinking, 'the other goods over which the chief good predominates differ from it (and from each other) by being of different kinds, not amounts.'<sup>106</sup> Aristotle went so far as to criticise Plato, who made efforts, in *The Protagoras*, to conceive of well-being and functionings in quantifiable terms.

In considering this question of 'value', it is possible to argue that Aquinas, following Aristotle, asserts the necessity of subordinating of ownership to use. As he states when considering whether covetousness should be taken as a sin: 'Now in all things that are for an end, the good consists in a certain measure, since whatever is directed to an end must be commensurate with the end ... External goods come under the heading of things useful for an end.'<sup>107</sup> The way to value something for Aquinas, then, is to discover its 'use value', a value which is necessary only as a means to an end which transcends the use of possessions.

Aquinas holds to this outlook when he comes to consider the question of buying and selling. He has an understanding of the 'just price', and this seems to consist both of the intrinsic value of an item, its 'worth', and of the significance of a person's particular need for an item:

'The value of consumer products is measured by the price given, which as Aristotle pointed out is what coinage was invented for. It follows that the balance of justice is upset if either the price exceeds the value of the goods in question, or the thing exceeds the price. ... The other way in which we can look at a contract of sale is in so far as it happens to bring benefit to one party at the expense of the other, as in the case where one badly *needs* to get hold of something and the other is put out by not having it. In such a case the estimation of the just price will have to take into account not merely the commodity to be sold but also the loss which the seller incurs in selling it. The commodity can here be sold for more than it is worth in itself, though not for more than it is worth to the possessor.'<sup>108</sup>

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<sup>105</sup> Meikle, *Aristotle's Economic Thought*, p.109.

<sup>106</sup> Broadie & Rowe, *Aristotle Nicomachean Ethics*, p.10.

<sup>107</sup> *Summa Theologiae*, II II q.118. 1. In more general terms, Aquinas distinguishes between *frui* and *uti*, as enjoyment and use of possessions. It is because covetousness turns property from a 'means' to an 'end' that it is a sin. The distinctive aspect of money, for Aquinas, is that its ownership and use cannot be divided.

<sup>108</sup> *Summa Theologiae*, II II q.77, 1 (translation based on that in *From Irenaeus to Grotius*, p.359, italics added).

The ‘need’ referred to here should be seen as being in terms of virtuous functionings, and not of desire, so that the use value outlook is preserved, even though a price is applied.<sup>109</sup>

The idea of a just price, which differs from a market equilibrium price, is an alien one for most modern economists, but is entirely intelligible if the use value framework is followed through. In theological terms, a thing’s value is discovered only in as much as it is useful for someone as they seek to participate in and carry out God’s particular purposes for them as an individual who is both created in God’s image and redeemed by Christ, as the earlier discussion on means and ends demonstrated. Applying such insights to Sen’s work, the question might be put as to whether he would have any space for an understanding of the just price, as opposed to the market price, of the functionings and capabilities which he wishes to place at the centre of the evaluative space. The issue here connects back to the earlier discussion concerning Sen’s understanding of democracy and freedom as constituting the universal and objective value within society. In the face of such a proposal, it follows that any sense of the ‘just price’ would in fact threaten to collapse into becoming the ‘market price’, driven by individual freedom of choice, since there is nothing more than personal freedom and choice as a reference point against which to establish the level of such a putative ‘just price’ in Sen’s approach.

That there is, indeed, no hint of ‘just price’ theory in Sen’s work might lead one to draw two related conclusions. First, one must question again his commitment to functionings as *participatory* means. A participatory means, it will be recalled, has value in relation to the end, not primarily by comparison with other alternative means. To talk of the efficiency of functionings, as Sen does, implies, in contrast, the possibility of comparison on an instrumental basis. Secondly, it can be seen that a problem begins to emerge concerning the *scope* of Sen’s functionings. The exchange value view attached to these functionings must necessarily have the effect of limiting the reach of the entire theory to those aspects of human life which are comparable between people, or, put another way, social.<sup>110</sup> The question is therefore arrived at as to whether Sen is really only interested in social functionings. The paucity of examples which he gives in illustrating his theory might be taken as a tacit admission on Sen’s part that the basic capability approach is in fact limited in this way.

## 8. Conclusion

Does Sen, within his capability approach, have a place for virtue, and, additionally, for vocation? Such is the central question, set firmly within the moral philosophical arena, which this paper has focused upon, through its consideration of his thinking and writing. In addressing this question it can be suggested that there is a sense in which Sen can be characterised as a cautious and somewhat defensive thinker. Such an assertion can be defended with reference to the various moments arrived at within an appraisal of his work at which a question hangs in the air, unresolved. If the hope is to shed light upon the vocational context of human economic life, there appears, initially, to be much of promise within Sen’s approach. One might point to his talk of different lifestyles, of the central importance of

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<sup>109</sup> See Finnis, *Aquinas*, p.201 for corroboration of this interpretation.

<sup>110</sup> See in particular the way in which he discusses ‘capability failure’ in terms of mortality rates and other measurable factors in *Inequality Re-examined*, pp.114ff.

'beings and doings' in an assessment of well-being, of the virtue of well-informedness, and of his claim that value should be understood as being prior to desire. However, all of these promising aspects of his thinking are hedged about with complications. Taking these promising aspects in turn, it is not resolved, first, whether the different lifestyles turn out to be alternative functioning bundles, secondly, whether the functionings themselves have any intrinsic value as participatory means, thirdly, whether his commitment to the virtue of well-informedness is secure, especially when set alongside his universal value of freedom, and, fourthly, whether he is properly committed to an objective understanding of value.

Put another way, and with reference to the Aristotelian concept of *eudaimonia*, or well-being, two questions apparently refuse to be resolved. First, it can be asked: is Sen able to have both freedom and *eudaimonia*? Secondly, it might be inquired: can Sen maintain his interest in efficiency while keeping hold of *eudaimonia*? Both of these questions impinge upon the very *nature* of the functionings proposed by Sen's theory, and his cautious intellectual style makes connections into a theologically informed understanding of economic life as vocation difficult to achieve.

Consider, for example, a factory worker. Utilitarian economics analyses the situation with reference to the utility gained by such a person from their wages, set against the utility lost through a reduction in leisure time, as well as any other utility-based factors. The fact that the person has become a factory worker, and the number of hours engaged in such activity, are deemed to reveal that person's set of preferences with respect to work. Such an example becomes progressively harder for a utilitarian framework to make sense of as one replaces the factory worker with an opera singer, who still earns a fee from performing, a mountaineer, who does not, and a monk or nun, who abdicates himself or herself from any sense of personal gain. The concept of vocation is clearly of help here, and it might be hoped that Sen's challenge to utilitarianism can provide a theoretical basis. However, it is significant that Sen fails to give a single example involving factory workers, opera singers, mountaineers, monks, nuns, or any other individual vocational choice. The question as to whether he *could* successfully employ such examples remains open, and depends upon the true conceptual scope of his functionings, in particular as to whether they are restricted to being social functionings.

A theological appraisal of Sen's capability approach must, therefore, end with various questions, since it should be concluded that what is apparently not quite achieved clearly by Sen is the secure and coherent promotion of the view that good functioning, governed by virtue, and seen as central to the nature of well-being, captures well the vocational context of human economic life.

Particular and focused questions, arising from the appraisal of Sen's work attempted here, might therefore be framed as follows:

- a) can Sen's 'functionings' be understood with reference to life-directing, vocational decisions, or are they only of use in making inter-personal comparisons?;
- b) are Sen's 'functionings' valuable in themselves, as the means to participating in a well-lived life?;

c) is Sen properly committed to the virtue of ‘well-informedness’, prior to the freedom of choice, and if so, how is such a virtue cultivated and fostered?

Beyond this, various more general questions could be asked. The first asks whether further study of Sen’s significant body of published work might either resolve, or at least help clarify, these questions. Relevant to this point is the fact that Sen is still an active writer and speaker, and that the chance of a more serious engagement with Sen on the part of theologians is therefore possible.<sup>111</sup>

A second general question asks whether Sen’s work could be adapted, such that the questions raised by this appraisal might be resolved, or at least addressed constructively. For example, the matter of Sen’s commitment to the virtue of ‘well-informedness’ could be considered with reference to the nurturing of members of a society through the education system, and, in turn, the manner in which education is underpinned by deep-rooted moral values within society. The way in which the Christian faith, mediated through the church, relates to such deep-rooted moral values might also be explored as a potentially fruitful area of interest.

A third general question might ask if any other economists working in the area of ethics can be seen to shed any further light on the subject in hand, through their consideration of the question as to what it is that makes a well-lived life. Although academic economics is presently largely a technical discipline, there has in recent years been an increase in the number of economists keen both to address the ethical issues raised by their subject, and to employ philosophical tools within their analysis.<sup>112</sup> An exploration of this growing body of literature might well prove helpful as part of an effort to construct a theory of what might be termed ‘vocation economics’.

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<sup>111</sup> It is believed, for example, that John Atherton, Canon Theologian of Manchester Cathedral and lecturer in theology at Manchester University, is intending to include a major discussion of Sen’s work in his next book (information based on an e-mail received from Canon Atherton in May 2002).

<sup>112</sup> One prominent example of such an economist would be Partha Dasgupta, the Frank Ramsey Professor of Economics at the University of Cambridge, recent publications from whom have included: ‘Lives and Well-Being’, *Social Choice and Welfare* 1988, pp.103-126; ‘Valuing Objects and Evaluating Policies in Imperfect Economies’, *Economic Journal* 111, pp.1-29; *An Inquiry into Well-Being and Destitution*; *Human Well-Being and the Natural Environment*.

Thus, while the theologically based appraisal of Sen's capability approach that has been carried out here has not been able to provide a conclusively positive answer to the question as to whether Sen has a secure place for virtue and, more significantly, for human vocation, it has nevertheless shed light upon certain key aspects of his work. The appraisal has additionally thrown up three well-framed subsidiary questions, which get to the heart of the matter at hand, and the addressing of which could well be expected to allow for further development in reflection upon the vocational context of human economic life. Three general strategic approaches have also been suggested as being appropriate, were such a route forward to be contemplated.

## ECONOMICS AND THE CHURCH OF ENGLAND

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### *1. Introduction*

The account of human nature and potential given by economic theory is very different from that to be found in the Bible. Nevertheless, it is accepted by many Christians that economics may be an adequate basis for understanding, and even predicting, human behaviour in some situations. One might, as a Christian, accept that economics provides a reasonably accurate picture of a fallen world, whilst our faith offers a vision of a better world in the kingdom of God<sup>1</sup>.

The question remains as to the proper scope of economic analysis. It may be right to use this set of tools to work with markets for most goods and services, yet altogether wrong to apply them in other contexts. Does economics have anything useful to say about politics? - about marriage? - even about religion? The Chicago school, following the lead of Gary Becker clearly believes that it does<sup>2</sup>. But one could maintain that religious belief so changes human motivation that the models used by economists are entirely invalid in a religious context.

This paper is concerned with church finance, in particular with the income and expenditure of the Church of England at the present time. It is therefore principally about the contributions of church members and about the pay and conditions of service of the stipendiary clergy. In the discussions which take place about these matters within the church several different languages can be heard. There is the language of faith, or of theology, referring to the Bible or church teaching and traditional practices for guidance. There is the language of government or business, applying secular models in an ecclesiastical setting. And, occasionally, there is the language of economics, referring to markets, to supply and demand, or the efficient use of scarce resources. This paper will use all these languages a little, and hope to make them mutually comprehensible.

It begins with a brief outline describing the finance of the Church of England at national, diocesan and parish level, with some comment on the main trends that are evident at the present time. Particular reference will be made to a report now under consideration on the adequacy of clergy stipends<sup>3</sup>. The next section will refer to the models of the church which might seem relevant to the debate. Is the church like a government department? Or is it more like a non-profit corporation? On the other hand, should we look for scriptural models? If so, will we find them in the Old Testament or in the New? Then the paper will turn to economics, asking how that approach might be applied, especially to voluntary giving as a source of

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<sup>1</sup> Hay, D. and A. Kreider (eds): *Christianity and the Culture of the Market*, University of Wales Press, 2001

<sup>2</sup> Becker G.: Preface to Tommasi M. and K. Ierulli (eds): *The New Economics of Human Behavior*, CUP, 1995

<sup>3</sup> Clergy Stipends Review Group: *Generosity and Sacrifice*, Church House Publishing, 2001

income, and to the employment of those with a vocation to the ministry. It is hoped that this will at least stimulate useful debate, even if no simple conclusions can be drawn immediately.

## 2. *The Income and Expenditure of the Church*

The table below shows the total income of the church, aggregating together the national church, the dioceses and the parishes, for 1993 and 1997:<sup>4</sup>

**Table 1: Church of England Income**

£ Million	1993	1997
Investment Income:		
Church Commissioners etc	148	136
Dioceses and Cathedrals	33	46
Parishes	39	65
Fees and Chaplaincies	14	19
Giving:	347	441
<b>Total</b>	<b>581</b>	<b>707</b>

Alongside this should be set total expenditure:

**Table 2: Church of England Expenditure**

£ Million	1993	1997
Ministry:		
Training	11	12
Stipends	157	163
Pensions	70	82
Housing	35	50
Worship and Buildings	182	205
Education and gifts	38	47
Administration etc	99	119
<b>Total</b>	<b>592</b>	<b>678</b>

Individual church members chiefly contribute to their local parish church, giving on average, it is estimated, some 3 or 3½ per cent of their disposable income. The parochial church council is usually responsible for maintaining the church building, but not for the stipends of the clergy or the upkeep of the parsonage house. The parishes make contributions

<sup>4</sup> Figures taken from Appendix 1 of *First to the Lord*, Archbishops' Council, 1999

to the dioceses, and this provides the main support for clergy pay and housing. The dioceses contribute to the cost of national training and administration, whilst receiving some payments from the Church Commissioners. Clergy pensions were until recently paid by the Church Commissioners, but are now funded to an increasing degree by contributions from the dioceses.

Recent trends were summarised in a consultation document as follows:<sup>5</sup>

‘Over the last decade we have seen a very significant shift in responsibility for funding the ministry of the Church. As a result of their investment and over-distribution difficulties in the late 1980s/early1990s, the Church Commissioners needed to bring their liabilities back into balance with their assets...As a consequence of this their total support for stipends was reduced from £66 million p.a. in 1991 to £20 million p.a. in 1997. It has been maintained at about that level since then.

In parallel with this, steps were taken to cap their liability for clergy pensions, which had grown rapidly... The creation in 1997 of the Funded Scheme for clergy pensions had the effect of limiting their commitment to benefits earned from pensionable service up to 31 December 1997....

The consequence of the changes outlined above has been to transfer ministry costs in excess of £80 million p.a. from the centre to the parishes/dioceses. Parishes have responded to this challenge, and giving by deed of covenant doubled in cash terms between 1990 and 1999 from £3.38 per member per week to £6.71. In real terms (ie taking inflation into account) this is still an increase of 52 per cent.’

This trend could have profound implications for the Church of England<sup>6</sup>. At one time most church members, even those who were very active and committed, thought of their parish church and their vicar as something which was provided for them, for which they had no financial responsibility. They were accustomed to putting a few coins in the collection plate, and perhaps responding to the occasional appeal. Now they are coming to realise that the church as they have known it cannot survive without their regular and generous contributions.

The implications of this change have not yet been fully realised. There is already, however, a feeling that the church must be more accountable to its active members, to those who pay the bills. This could conflict with the identity of the Church of England as the church for the nation as a whole. How universal a presence can the church afford, if some parish churches have only a handful of regular worshippers? Will the ‘successful’ suburban churches with congregations of several hundreds be willing to ‘subsidise’ the rest? Perhaps economics comes into this somewhere.

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<sup>5</sup> *Clergy stipends, Pensions and other Financial Issues*, A Consultation Report for Dioceses, Archbishops' Council, 2001

<sup>6</sup> There is a very useful collection of essays on current issues in the church in Kuhrt, Gordon: *Mapping the Trends - Ministry Issues for the Church of England*, Church House Publishing, 2001

The accountability of the clergy could also become a live issue. The incumbent of a parish enjoys ‘freehold’ status, suggesting that he or she is not really accountable to anyone but God. In extreme cases disciplinary action is taken, but in almost all circumstances an incumbent has a ‘job for life’, free from the supervision of either the bishop or the church members. The appointment procedure is still a very complex one, involving the bishop, but also parish representatives, as well as the historic patron.

The redeployment of resources often requires the amalgamation of parishes or benefices. This too is a complicated matter, in which the Church Commissioners have a part to play, not to mention the Queen and the Privy Council. In practice it is seldom possible without at least the acquiescence of the parish, and it commonly happens when a vacancy occurs due to the resignation or retirement of the vicar. When resources become scarcer there is more concern to use them efficiently. Some people in the church want to see more active management to get the best out of the clergy, and the funds that are available to pay for them. Those who contribute generously to the church may want to see ‘value for money’, or at least to be sure that their gifts are not being wasted.

In the year 2001 several events came together so as to provoke a reassessment of the financial position of the church. Some dioceses found themselves in significant deficit, with little prospect of meeting their commitments in the future. Then the method was changed by which the funds still available from the Church Commissioners were allocated to dioceses - and some lost an important support to their income. Several dioceses said that they could not, or would not, pay their contribution to the Archbishops’ Council unless the expenditure at the centre was sharply cut back. Then there was an actuarial review of the new funded pension scheme to which the dioceses contribute; it called for a substantial increase in contributions on the grounds that clergy were living longer, and the returns to investment were disappointing.

As it happened an important review of clergy stipends was completed just as these financial anxieties came to the surface. It had been put in hand some years earlier in response to the decision of Guildford, one of the more affluent dioceses, to break ranks and increase the stipends it paid unilaterally. The report<sup>7</sup> is worth summarising as it has provoked an interesting debate, not just about the level of clergy pay, but about their conditions of service as well.

### ***3. ‘Generosity and Sacrifice’***

The terms of reference of the review group asked them to ‘consider the concept and definition of the stipend’ as well as its level. They refer to a definition set out by the House of Bishops in 1943, which read as follows:

‘The stipends of the clergy have always, we imagine, been rightly regarded not as pay in the sense that the word is understood in the world of industry today, not as reward for services rendered, so that the more valuable the service in somebody’s judgement or the more hours worked, the more should be the pay, but rather as a maintenance allowance to enable the priest to live without undue financial worry,

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<sup>7</sup> Clergy Stipends Review Group, op. cit.

to do his work effectively in the sphere to which he is called and, if married, to maintain his wife and bring up his family in accordance with a standard which might be described as neither poverty nor riches...'

In place of that concept and definition, the group suggested the following:

'The stipend is part of the remuneration package that is paid for the exercise of office. It reflects the level of responsibility held. This package acknowledges the dual demands in Scripture of generosity and sacrifice on both those who receive the stipend and those who raise the necessary funds.'

There is not much reflection in the report on the concept and definition of pay in secular employment. Yet some, if not all, the issues raised by this contrast of quotations arise in relation to any vocation, whether clerical or lay. The two definitions are regarded as mutually exclusive alternatives, but might actually be seen as complementary, two descriptions of the same object from different perspectives. From the point of view of the employee, pay is almost always seen as a means of earning a living; from the point of view of the employer it is almost always a recognition of services rendered. There are factors which influence supply, and others which influence demand.

The report makes some detailed comparisons of the stipend (plus housing) with the pay of various professions, in particular schoolteachers. It concludes:

'We recommend that the appropriate level for an incumbent's remuneration (that is, stipend and housing) should be approximately 80% of the starting salary of a head teacher of a large primary school. On 2001/2 figures, our recommendation [for the stipend of an incumbent] is a minimum of £20,000.'

This would be an increase of 18 per cent as compared with the present level of the national stipend benchmark. The direct cost to the church is estimated at £28.5 million, excluding pension contributions. (There would be a substantial extra cost if clergy pensions were increased in line with the stipend, as is the normal expectation.)

The comparison with the head teacher's pay is open to criticism on technical grounds, but a case for a significant increase could be made either by comparing the increase in the stipend over the last ten years with the increase in average earnings, or by measuring the standard of living of clergy families that have no other source of income.

Some of the comment on the report has linked its recommendations to rather broader issues of the role of the stipendiary clergy and their conditions of service. Increasingly the work done by the paid incumbent is shared with a team of 'volunteers', including non-stipendiary priests, licensed lay workers and other members of the congregation. The incumbent is seen as the leader of a team, with tasks to perform that in any other context would be called 'managerial'. Perhaps there will be much fewer stipendiary clergy in the future, in which case they might be rather better paid than they are now.

#### ***4. Models derived from Secular Institutions***

Inevitably the institutional structure of the church, and its financial arrangements, are influenced by the environment in which it is set. (In the Middle Ages, for example, the church was feudal.) In some respects, the Church of England today has inherited a structure not unlike that of a government department. The synodical system, together with the responsibility of church leaders to it, is a conscious imitation of the relationship of Government to Parliament. Bishops are encouraged to think of themselves, in some contexts, as Ministers, whilst church officials behave very like civil servants. The dioceses can then, on occasion, play the role of local authorities in relation to the national church.

Parishes sometimes actually use the language of taxation in relation to their contributions to the diocesan budget. Money is being raised to provide services and to pay professionals, just like the taxes which pay for health and education, including the pay of teachers and doctors. There is also an important element of redistribution, as the larger and richer parishes help to support the smaller, poorer ones. The method by which parish contributions are assessed is often very like an income tax, making use of surveys of personal incomes to estimate the potential giving from active church members. It is not surprising therefore if the attitude in the parishes is sometimes like that of taxpayers, rather than that of donors to most other charities. Synod does not actually have parties reflecting the interests of different social classes (as there always have been in Parliament), but the opinions expressed by parish representatives could sometimes be interpreted along those lines.

Following this model, the clergy should be accountable up the hierarchy to the archdeacons, the bishops and ultimately to the Archbishop of Canterbury (or possibly to the Queen!). They should have job descriptions, appraisal and perhaps nowadays performance related pay. They might have 'permanent' contracts of employment by the church, but not secure tenure of a particular post. Their pay scales might be set after negotiation with a recognised trades union.

But the public sector itself is changing, and the old models of government are no longer in fashion. Now we have new concepts of public service in which purchasers and providers are separated from one another. Wherever possible an element of competition is being introduced. Quasi-markets are being invented. This language is not heard much within the Church of England. The alternative models are essentially congregational, with the emphasis on the autonomy of the local church.

One could think of the local church (one would not immediately think of it as a parish church) as a non-profit corporation. It would employ ordained clergy, and other full-time workers, who would be accountable to it. It might choose to make donations to other churches in the same diocese or denomination if they were in greater financial need, but equally it might choose to spend its income in other ways. If it needed help from specialists in theology, youth work, adult education, and so on, it would look for the best provider, not necessarily one connected with the diocese or indeed with the Church of England at all. It might even choose which bishop should provide it with oversight, as a company chooses its own auditors.

There might well be some open or implicit competition for membership between churches of the same or other denominations. The 'C of E' would be a 'brand name' or a

franchising corporation with which the local church had a fixed-term contract, and so on - the detail is not important, but rather the way of thinking that lies behind it. When accountability is mentioned, this rather than the more traditional bureaucratic model is what church members may have in mind.

### **5. Biblical Models**

There is plenty of material, in both the Old Testament and the New, on which one can draw when considering church institutions and finance. Inevitably it reflects the social, political and economic life of the times in which it originated. Nevertheless it is authoritative for Christians in these matters, as in all else.

The Old Testament includes a rather complex set of rules to govern the gifts to be made by the people of Israel, and the provision for the support of the priests and Levites. A tenth part of personal income was to be given to the Lord, as well as the 'first fruits' of the harvest and the sacrifices essential to worship in the temple. It might appear that this was a form of taxation, an obligation linked to membership of the community, although not one based on consent or democratic government. Certainly the payments due seem to have been thoroughly codified, but the motive for giving is not just the penalties for non-compliance. There is a powerful sense that these gifts are to be made in thankfulness for the blessings that God has already given to his people. Moreover the rights of private ownership are always subject to the over-riding claims of God, as creator and provider of all:

'When you have entered the land that the Lord your God is giving you as an inheritance and have taken possession of it and settled in it, take some of the firstfruits of all that you produce from the soil of the land that the Lord your God is giving you and put them in a basket. Then go to the place that the Lord your God will choose as a dwelling for his name, and say to the priest in office at the time, "I declare today to the Lord your God that I have come to the land that the Lord swore to our forefathers to give us". The priest shall take the basket from your hands and set it down in front of the altar of the Lord your God.' Deuteronomy, ch 26, vv1-4

'But who am I, and who are my people, that we should be able to give as generously as this? Everything comes from you, and we have given you only what comes from your hand.' 1 Chronicles, ch 29, v14

The priests and Levites were supported out of the gifts of the people.

'The priests, who are Levites - indeed the whole tribe of Levi - are to have no allotment or inheritance with Israel. They shall live on the offerings made to the Lord by fire, for that is their inheritance. They shall have no inheritance among their brothers; the Lord is their inheritance, as he promised them. This is the share due to the priests from the people who sacrifice a bull or a sheep; the shoulder, the jowls and the inner parts. You are to give them the firstfruits of your grain, new wine and oil, and the first wool from the shearing of your sheep, for the Lord your God has chosen them and their descendants out of all your tribes to stand and minister in the Lord's name always.' Deuteronomy, ch 18, vv1-5

The idea of a hereditary priesthood is, of course, far removed from the calling to the clergy today. There would seem to be a risk that the number of priests could be either too large or too small for the services expected of them, and for the provision made to support them and their families. We know, from the story of the sons of Eli (1 Samuel, ch 2), that some priests were unworthy of the role that they inherited, and that some cheated by taking more than their share of the offerings.

In the New Testament there is no limit to generosity in giving to God. Jesus admired the poor widow who put all her wealth in the temple treasury (Mark, ch12) and told a rich young man to give everything away in exchange for 'treasure in heaven' (Mark, ch10). The early church seems to have aimed at a common purse, from which each would draw as needed. Later this was modified to a readiness to share with those in need, giving in proportion to each person's means. The motive for giving now includes thankfulness for the generosity of Christ in his acts of redemption, as well as the expectation of continuing prosperity:

'For you know the grace of our Lord Jesus Christ, that though he was rich, yet for our sakes he became poor, so that you through his poverty might become rich.' (2 Corinthians, ch 8, v9)

'Remember this: Whoever sows sparingly will also reap sparingly, and whoever sows generously will also reap generously. Each man should give what he has decided in his heart to give, not reluctantly or under compulsion, for God loves a cheerful giver..... This service that you perform is not only supplying the needs of God's people but is also overflowing in many expressions of thanks to God.' (2 Corinthians, ch 9, vv 6-7 and 12)

The early church did not have a regular priesthood to support, but it did meet the needs of some of the apostles. Jesus himself said that those who preach the gospel are entitled to their keep (Luke, ch 10). Paul was content to serve as a non-stipendiary, but he insisted that he could have expected support if he wanted it:

'Don't we have the right to food and drink? Don't we have the right to take a believing wife along with us, as do the other apostles and the Lord's brothers and Cephas? Or is it only I and Barnabas who must work for a living? Who serves as a soldier at his own expense? Who plants a vineyard and does not eat of its grapes? Who tends a flock and does not drink of the milk? Do I say this merely from a human point of view? Doesn't the law say the same thing? For it is written in the law of Moses: "Do not muzzle an ox while it is treading out the grain". Is it about oxen that God is concerned? Surely he says this for us, doesn't he? Yes, this is written for us, because when the ploughman ploughs and the thresher threshes, they ought to do so in the hope of sharing in the harvest. If we have sown spiritual seed among you, is it too much if we reap a material harvest from you? If others have this right of support from you, shouldn't we have it all the more? But we do not use this right...' (1 Corinthians, ch 8, vv3-12)

Whilst these passages from the Bible do not provide a detailed pattern for church finance today, they do support some of its underlying principles. It is clear that church

members ought to contribute as generously as they can to the finance of ministry and mission. The measure of that generosity is not how much they give, but rather how much they hold back. This is intended as a sharing of God's gifts, and an acknowledgement of his generosity to us, his prior claim on all that we possess. It is not to be judged according to how much we think that the church needs, or according to the use we make of its 'services'.

Equally it is clear that those who are called to devote their working lives to the church can expect financial support for themselves and their dependants. It would be totally wrong for them to accept a fee for the work that they do - as Simon Magus offered to give to Peter (Acts, Ch 8). But they are worthy of a wage, that is both a livelihood and a recompense. They are entitled to it, both because of the work that they do, and because of their need. The suggestion is perhaps that they should be able to enjoy a standard of living similar to that of the other members of the church.

## 6. *Economic Analysis*

Now we may turn to the contribution that mainstream economics might make to resolve some of the financial issues that now face the Church of England. There is little or no literature in academic economic journals directly concerned with ecclesiastical matters. There are, however, a few articles about the motivation of charitable giving and about professional employment that are of some relevance. This section is based on a search confined to the *Economic Journal* from 1980 to the present day.

Economic theory assumes that human behaviour results from rational choices made by individuals. This immediately limits the help it can give in relation to religious questions. It leaves no scope for the action of the Holy Spirit in the decisions we take. Neither does it allow the church itself to have a corporate identity as the body of Christ. Nevertheless it does provide a fresh perspective. We are accustomed to using 'worldly wisdom' when deciding how to place the investments of the church, and how to maintain its buildings. Perhaps there may be something to be learnt also about more sensitive issues, such as raising the level of individual giving, or the terms on which the clergy are employed.

Economic theory does not always assume that everyone is selfish, motivated only to improve the standard of living of the individual. The concept of 'altruism' is well-established in the literature, meaning that the individual is motivated to improve the standard of living of other people as well. I may take pleasure in the happiness of someone else, and make gifts to them for that reason. This fits in well enough to the utilitarian framework within which most theory is expressed even today. It is easy enough to see why I might give money to a charity if I thought that my contribution would make poor people better off, or sick people well again.

But this does not seem to provide a full explanation of donations to charity, or indeed to the church. One useful journal article begins like this<sup>8</sup>:

'When people make donations to privately provided public goods, such as charity, there may be many factors influencing their decisions other than altruism. As

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<sup>8</sup> Andreoni, J: 'Impure Altruism and Donations to Public Goods - A Theory of Warm-Glow Feeling' *Economic Journal*, June 1990

Olson noted, “people are sometimes motivated by a desire to win prestige, respect, friendship, and other social and psychological objectives” or, as Becker observed, “apparent charitable behavior can also be motivated by a desire to avoid scorn of others or to receive social acclaim”. Clearly social pressure, guilt, sympathy, or simply a desire for a ‘warm glow’ may play important roles in the decisions of agents. While such warm-glow giving has been acknowledged in the literature, the most common approach has been to assume that preferences depend only on private consumption and the total supply of the public good and not on individual donations *per se*. Recent research reveals, however, that this ‘pure altruism’ model lacks predictive power...’

The article goes on to show that under the assumptions described as ‘pure altruism’, donations will fall pound-for-pound if someone else - the government or the Church Commissioners - makes provision to meet the charitable objective. To explain why this does not happen we have to understand the motivation of givers rather better, for example by assuming that they include the value of their own gift in their utility function, what the author refers to (rather oddly) as ‘impure altruism’.

In applying this reasoning to the church, it is worth noting first that gifts are usually anonymous. Hence there is not much reason to give in the hope of gaining prestige, or indeed of avoiding shame - accept, perhaps, in the eyes of God himself. There is, however, an interesting model here of those, the ‘pure altruists’, who might give enough extra to maintain a level of provision, for themselves and others, when the Church Commissioners withdraw support for the parish ministry - in some circumstances, ‘crowding out’ can work in the reverse direction. This contrasts with those who give purely for the satisfaction of giving, whose donations to the church will not be affected one way or the other by the ‘level of provision’, or what others may subscribe.

In this model it is assumed that the need for provision is unlimited, the more of it the better. In some circumstances however it is a case of deciding whether or not to meet a defined need at (approximately) fixed and finite cost - to build a bridge for example, or indeed to build a church. These are referred to in the literature as ‘step-level public goods’. The temptation here is to free ride on the donations of other people. If enough people subscribe, then the bridge or the church will be built anyway, and those who have not subscribed cannot be prevented from benefiting from it. In deciding whether to subscribe, a rational individual will try to predict the choices of others. The decision is said to depend on both expectations and ‘value orientations’ - a term borrowed from social psychology.

This is the sort of situation that can be investigated by experimentation, to produce a publishable paper<sup>9</sup>. Results suggest that values are important as well as expectations, and also that expectations about the decisions of other people tend to be too optimistic. A purely rational individualistic and utilitarian model is not adequate to explain the behaviour observed. It was noticed, however, that individuals are more likely to contribute to a project the smaller the community for which it is designed - to a parish project rather than a diocesan or national one, perhaps.

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<sup>9</sup> Offerman, T, Sonnemans, J and A Schram: ‘Value Orientations, Expectations and Voluntary Contributions in Public Goods’, *Economic Journal*, July 1996

The potential relevance of this analysis to fundraising is obvious enough. People do often respond well to a one-off appeal - like King David's gift day to build the temple. The same approach may not work so well when the object is to raise a continuing stream of funds, for example to support the clergy. It would be interesting to investigate how that reluctance could be rationalised.

Turning to issues of employment in the church, there is, of course, a vast amount of material in labour economics which could be relevant. No-one need suppose that the 'market' for stipendiary clergy is competitive, or that the level of the stipend is set by the intersection of supply and demand curves. Economists are much more sophisticated in dealing with employment than that. A good starting point might be the economic analysis of professions that have something in common with the clergy. Taking a hint from the report on 'Generosity and Sacrifice', we could begin with the supply of teachers, an issue addressed in the economics literature<sup>10</sup>

A survey in 1987 followed up individuals who graduated in 1980, with a useable sample size of nearly five thousand. From this one could examine the characteristics of those who chose to be teachers (12.7 per cent of the sample) as compared with the rest. One could also compare those who were still in the profession some years later with those who had changed to other careers. The conclusions - not too surprising - were as follows:

'The econometric results of the individual graduate's decision of whether or not to become a teacher are clear; they suggest that relative earnings in teaching and non-teaching occupations and the corresponding growth in earnings in the two choices have a marked effect on graduates' choices. In particular the lower are relative wage or wage growth in teaching, the less likely is the graduate to choose that career. These earnings effects operate on initial choices and choices made later in an individual's career. It was also found that in terms of current choices there is considerable inertia to remain in teaching (given that it was your initial occupation). It was suggested that this effect may be partially due to the different individual's (sic) subjective evaluation of the relative non-pecuniary rewards to teaching.'

It would be interesting to repeat the analysis for the clergy, if the sample size is sufficient. No doubt the same 'inertia', due to 'non-pecuniary rewards' would be found. A more open question must be the effects of relative earnings and the expectation of earnings growth in the future. It is not surprising to learn that there are detectable signs of a supply curve for teachers, even though many of them may view their profession as a vocation. The same may be true of potential recruits to the ordained ministry. They must, for example, take some account of the effect that their choice of 'occupation' will have on the living standards of their dependants.

The current debate over stipend adequacy is reminiscent of the debate which surrounded the introduction of a minimum wage. The issue was partly to do with poverty.

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<sup>10</sup> Dolton P J : 'The Economics of UK Teacher Supply - The Graduate's Decision', *Economic Journal*, 1990 Supplement

However, it was found that many of those who would benefit from minimum wage legislation were second earners in households that were not particularly poor.<sup>11</sup> Less than a third of those who remained on low pay for two years were in low income households. A minimum wage was not therefore a very efficient means of tackling poverty. The same point can be made about poverty in clergy families, which is relatively scarce, thanks to the earnings of husbands and wives. There are, however, other arguments in favour of a minimum wage in terms of justice, or of productivity. The 'efficiency' model of wage determination suggests that workers are more reliable and productive if they are paid more than the lowest wage they might be prepared to accept. This may also be true of the clergy.

The suggestion that members of the professions might be made more 'business-like' is not confined to the clergy. In the last two decades or so similar pressures have been placed on teachers, doctors, lawyers and the rest. They were all used to the assumption that they had a vocation, a professional ethic and a public duty, all of which mattered much more than the salary they could earn or the fees that they could charge. The merits of these assumptions were examined by Robin Matthews in a lecture to the Royal Economic Society.<sup>12</sup> He concluded that, on grounds of economic efficiency alone, there was a case for self-regulation, rather than stricter, but very expensive, alternative forms of accountability.

## **7. Conclusions**

The Church of England may well be going through a period of quite profound change. The problems caused by the mistakes made by the Church Commissioners a decade or more ago are just a small part of it. There would have been need for change in any event. Moreover, the change may prove to be for the better. Giving the active church membership responsibility for the finances of the church, and the influence that goes with it, may yet prove salutary for an organisation bound by precedent and tradition.

It is not clear at the present time quite where change is taking the church. It would be very reluctant to give up its role in relation to the community as a whole, either at the national or the local level, to become just one denomination amongst many. But that role may now be too expensive to play effectively, and it may not be what the active members of local congregations most want to pay for.

On the other hand there are probably large numbers of people on the fringe of the church who would be very sad indeed if it had to withdraw from its traditional role in the community. They want the vicar to be there when they need him, and the church spire still to form a background to the town or village centre. They may even go to church at Christmas, Easter or for Remembrance Sunday. They may want their children educated at church schools. They want there to be cathedrals with grand ceremonial to mark important occasions, or to attract the tourists. They would regard themselves, as a matter of course, as being Christians.

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<sup>11</sup> Sloane P J and I Theodossion: 'Earnings mobility, Family Income and Low Pay', *Economic Journal*, May 1996

<sup>12</sup> Matthews R: 'The Economics of Professional Ethics - Should the Professions be more like Business?' *Economic Journal*, July 1991

The awkward question is whether these people would pay for the presence that they value. They are used to it being there for nothing. Do they even recognise the problem? If so, is there some way of getting them to solve it? The economic theory of altruism might conceivably be helpful. On the other hand, would it not be much better to seek to engage them more fully with the Christian gospel that the church exists to proclaim?

In the future there are likely to be fewer stipendiary clergy and fewer parishes. It is possible that the decline in church attendance may be halted, or even reversed in part. The trend towards higher average levels of giving may well continue. Even so, the aspiration to raise the level of stipends significantly could prove difficult to achieve. Giving to the church and vocations to full-time ministry both depend most of all on commitment to the church and to God. The search for economic solutions to spiritual problems will always be in vain.

**BOOK REVIEW: *Bulls, Bears & Golden Calves: Applying Christian Ethics in Economics* by John E. Stapleford, InterVarsity Press, Downers Grove, Illinois, 2002; 224pp. (\$15.00)**

**Victor Claar, Hope College, Holland, Michigan.**

While several books approach economic issues from a Christian perspective, most are inappropriate for use as a supplement to an introductory university course in economics for two possible reasons. First, such books are often unconcerned with basic economic theory. These books are abundant. Often written by non-economists, they consider no framework for thought beyond their particular Christian perspective. Economic theory does not inform their writing. As a result, they often make strong – sometimes extremely strong – recommendations for policy given their particular viewpoint. Unfortunately, due to their failure to consider economic theory, their policy recommendations are sometimes dramatically inconsistent with the essential orthodox models offered in a first course in economics.

Second, many books that approach economic issues from a Christian perspective prove too one-dimensional in nature for use in an introductory class. Whether written by economists or not, such texts are not sweeping in their consideration of economic issues; instead, they deal with one area of economic policy (e.g., the environment). While these books can be of very high quality, they are not broad enough in their coverage of topics for use throughout a beginning course.

*Bulls, Bears & Golden Calves* is unique in overcoming both of these objections. First, its author, John E. Stapleford, does not overlook the value that an understanding of economic theory may have in informing a Christian's thinking on economic issues. Stapleford, associate professor of economic development at Eastern College in St. Davids, Pennsylvania, built the book from a paper delivered at Oxford University to the Association. Second, the book is specifically designed for use in introductory university courses in economics. Hence, the text considers a broad variety of economic topics from a Christian ethical perspective. Due to its uniqueness in this regard, my colleagues and I have unanimously agreed to make it a required text in our college's first course in the principles of economics. While not a perfect book, it will serve as an excellent touch point for discussing economic issues from a Christian perspective.

Throughout the manuscript, Stapleford keeps his intended audience—undergraduate students beginning their study of economics—well in mind. In its approach, the book is considerably less formal than Donald Hay's *Economics Today: A Christian Critique*.<sup>1</sup> For example, although both Hay and Stapleford apply biblical principles to economic issues, Hay carefully considers the philosophy of science en route to a critique of the discipline itself. Because Stapleford's intent is not to devote much scrutiny to the discipline, he considers only how the state-of-the-art model accords with biblical principles; he is not interested in how practitioners conduct themselves in their economic inquiry.

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<sup>1</sup> Donald A. Hay, *Economics Today: A Christian Critique*, William B. Eerdmans Publishing Company, Grand Rapids, Michigan, 1989.

Similarly, Hay rarely attempts to make specific policy prescriptions; Hay intends only to develop from scripture a set of biblical principles, and to use them to illuminate our thinking regarding the discipline and its fields of study. Stapleford, in contrast, is primarily concerned with policy issues, and makes many recommendations throughout that follow from his derived biblical principles.

The book also remembers its target audience by not being too informal, either. For example, the book is considerably more formal vis-à-vis economic theory than is Bruce Howard's *Safe and Sound*.<sup>2</sup> While Howard and Stapleford both write from an informed Christian perspective, Howard is less concerned with economic theory than is Stapleford. Stapleford refers both to scripture and to economic theory in making policy prescriptions, whereas Howard refers mainly to scripture to assist his readers in their thinking regarding their individual roles as economic agents. Further, as a book designed primarily for use as a supplement to beginning undergraduate courses in economics, *Bulls, Bears and Golden Calves* quotes frequently from several of the more popular textbooks likely to be adopted by users of the book as their primary text. Moreover, the book's chapters are linked for the interested professor to specific chapter numbers in seven top U.S. introductory economics texts.

The book is organized into five sections: theological and ethical principles, the basic assumptions of economics, macroeconomic issues, microeconomic issues, and international issues. In the first section, consisting of one chapter, Stapleford draws together from scripture a set of ethical principles with which to approach the economic topics in the four sections that follow. Stapleford is explicit in stating that he does not intend to critique the discipline, but instead to examine ways in which the derived principles may illuminate our thinking on the economic issues that follow. In the chapter's conclusion, Stapleford summarizes his principles:

“We are called by God to stand against injustice, to be concerned for the poor, to preserve the dignity of the individual, to be stewards of God's creation, to avoid the idolatry of materialism, to work to our capabilities, and to commit to community through loving our neighbors.”

For Stapleford, an economic policy, action, or outcome is questionable if it lies outside of the intersection of these derived principles.

The book's second section, consisting of three chapters, explores three fundamental themes of mainstream economics—self-interest, efficiency in the production and allocation of goods and services, and property rights—in light of the principles given in the first section. Using the *Wealth of Nations* as a starting point, Stapleford carefully and thoughtfully makes the case that, in a fallen world where original sin is always present, a market economy driven by the pursuit of self-interest is the best available economic system. However, law, competitive forces, and individual morality must serve as a check on market economies. Christians, then, are not free to pursue their own unbridled selfish interests. Instead, they are called to a self-interest that is enlightened by the principles given in the first chapter.

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<sup>2</sup> Bruce Howard, *Safe and Sound: Why You Can Stand Secure on the Future of the U.S. Economy*, Tyndale House Publishers, Wheaton, Illinois, 1996.

Christians must remember that all belongs to God, and that our private property is ultimately his; we are but stewards of his providence, and property rights encourage good stewardship.

In the macroeconomics section, Stapleford considers such topics as economic growth and the growth of work (and loss of leisure). The discussions of economic growth and growth of work share a common theme: Christians are not to pursue false gods. Because an increasingly important theme of introductory macroeconomics is economic growth, many students take away from these courses that economic growth—an ever-expanding production possibilities curve—should be pursued at all costs. Stapleford cautions that, for a Christian, no such goal should be pursued at all costs. Doing so turns economic growth into a false god. While Christians should encourage economic growth, they must not forget how their ethical principles reflect on the costs of economic growth.

For example, most principles texts note that measures of economic growth, such as real GDP, do not capture the value leisure and household production contribute to our economic welfare. Similarly, Christians should not unfairly discount the role of leisure and household production in their stewardship of resources. While Christians are called to work, they are also called to rest from their labors. Further, time spent in household production is as noble a form of work as that done for pay in the marketplace. As we are made in God's image, we find sanctity in all work.

The microeconomics section covers topics that include the environment and business and social responsibility. The environmental chapter gives a well-referenced description of our environmental state and our available policy options, and promises to give insight on these issues from a Christian perspective. However, this chapter fails to deliver such an ethical evaluation, and is the only chapter that fails in this regard.

Stapleford devotes three chapters to business and social responsibility. The first chapter gives an overview of the issue and concludes that, in a fallen world, Christians must accept their duty to bring Christian ethics into the marketplace. The two chapters that follow provide specific examples of industries where Christians are called to do just that: legalized gambling and pornography. Here, Christians should not be content to let the invisible hand direct the marketplace. Both are unacceptable to the Christian in light of ethical principles. As a result, Christians are encouraged to actively pursue policies that curtail and censor.

Potential academic adopters should be aware that Stapleford makes fairly specific assumptions concerning who his reader is. First, clearly the reader is assumed to be a Christian. This is not a book written for Christians and non-Christians alike who are interested in learning how Christians think on economic issues. Second, while the book is amazingly well documented, at times Stapleford makes undocumented claims that may alienate even some Christian readers (e.g., abortion is morally denounced on the fourth page of Chapter 1.) Nevertheless, *Bulls, Bears & Golden Calves* is enormously successful in delivering what it sets out to do: provide a companion text for the beginning student of economics that adds a Christian perspective to the topics covered in the first semester of principles courses.

**BOOK REVIEW: Christianity and the Culture of Economics** edited by Donald Hay and Alan Kreider, Gwasg Prifysgol Cymru/University of Wales Press, Cardiff, 2001, 194pp. (£14.99)

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This book is based on a series of lectures held in 1998 at the Centre for the Study of Christianity and Culture, Regents Park College, Oxford. I was fortunate to attend some of the lectures while on sabbatical at Oxford and their publication is welcome. It addresses, in the words of the editor Donald Hay, 'the origin and role of values in a market economy' (p.1). As he sees it the central issue is whether markets are neutral, merely reflecting the values of participants or whether markets have their own internal values. If the second view is accepted there is of course the question of whether these values are good or bad.

Lord Griffiths' opening chapter is a powerful and sophisticated defence of markets. Griffiths surveys and rebuts a series of criticisms in church circles of markets then presents his own case for the value of markets. This case has three parts, firstly that markets as a matter of fact have been more successful than any alternative in creating wealth and employment, and that this gives markets legitimacy within a theology of wealth creation. Secondly, going back beyond the mid-nineteenth century (largely romantic) reaction against political economy markets were seen to have a value in restraining the excesses of monarchs, of softening manners. Thirdly, (although I think illustrating the second point) Griffiths draws from his own personal experience examples of how markets are compatible with, if not promote, virtues such as industry, honesty and care for others. Some of these arguments are familiar from Griffiths' earlier writings, but what is striking for a neoclassical economist reader is the emphasis the promotion of virtue rather than allocative efficiency. In terms of ethical theory is not a utilitarian or even consequentialist argument and avoids some of the well-known problems of such arguments. Griffiths shares this emphasis with others such as the American Roman Catholic defender of free markets Michael Novak. Unlike some other zealous defenders of the market, Griffiths is careful to point out that the legitimacy of markets within a theology of wealth creation does not give them autonomy. This critique of the autonomy of markets seems to make Griffiths step back a little at the end of the essay from his earlier arguments that markets are morally neutral. I found his criticisms of Hayek's attempts to ground the autonomy of markets particularly interesting in the light of Hayek's influence on Thatcher's Britain. Griffiths' chapter is the highlight of the volume and well worth the purchase price on its own.

The next chapter by David Nussbaum, Finance Director of Oxfam, offers a rather different perspective on markets. He questions the emphasis on maximising shareholder value, but in my view the argument is nowhere near as strong as Griffiths in the preceding chapter. I did appreciate Nussbaum's discussion of the personal dimensions of the issues. Following on from Nussbaum's chapter are two chapters on particular examples of communities that that maintained distinctive cultures while participating in markets - Roger Sawtell discusses worker co-operatives in the UK and Donald Kraybill the Amish in the US.

Next are discussions of particular areas of policy controversy – international trade by Isabella Bunn, work and unemployment by Andrew Henley and the welfare state by Anthony Dilnot. Each of these is a good outline of the issues and a non-technical presentation of the

relevant economic theory. These chapters would be helpful reading for those in the church making public pronouncements on the issues. Bob Goudawaard's chapter deals economic growth, and more than the other chapters on policy issues considers the theological significance of the underlying economic theory.

Finally there is an excellent chapter by Donald Hay "On Being a Christian Economist". Donald's explicit and honest discussion of tensions involved in being a Christian academic economist is extremely helpful. This is a chapter worth passing on to graduate economics students and others coming to grips with the culture of academic economics. He considers two strategies for those who have decided at least that Christian faith does not rule out being an economist (as it might say rule out a drug dealing or a career selling arms to oppressive regimes). The first of these he describes as the subversive approach – which is to accept the tools of modern economic but put them to Christian use in highlighting incoherence and injustice (David Richardson in the US has advocated something similar). The second approach criticises the tools of economics, and ranges from attempts to construct an alternative Christian economic theory (advocated by neo-Calvinists such as John Tiemstra and Douglas Vickers in the US, as well as a number of contemporary Roman Catholic economists in the US) to Donald Hay's own preferred approach of proceeding with caution. Proceeding with caution is not as clean and simple as some other approaches and requires wisdom and courage to avoid it collapsing back into acquiescence to the dominant professional culture of economics. Donald here and in his own professional work shows it to be a strong option.

I would love to see more of the type of personal reflection and sharing of experiences in Donald Hay's chapter. More is said by the life choices and day-to-day practise of Christian economists (especially when explained, as in this chapter) than in many abstract discussions of relationships between economics and Christianity. The US association has published some interviews of prominent economists who have written on the issues, and this has been interesting, but is only a start. It would be fascinating to interview a wider range of Christian economists, including those who have not chosen to identify their work as "Christian" or write about issues of Christianity and economics. This may be one of the best ways forward in understanding the relationships between economics and Christianity, as well as being of great value to Christian economists sorting out the personal issues for themselves.

Overall the book is high quality, practical, policy focused reflection that has been characteristic of the UK Association of Christian Economists for the past two decades. This genre has a place in a UK context where there is a strong tradition of Church influence on economic affairs (especially through the established Church of England). The genre is less common (and perhaps less meaningful) in US or Australian context where there is not the same tradition of church involvement in economic policy issues, nor the same stable and respected tradition of social ethics. This is not to say that the Christianity has not had any less influence in the US or Australia – but that the influence works through different channels. As well as the national context, this type of work can find a place within a religious sub-culture and this type of work is common and meaningful within contemporary Roman Catholicism and neo-Calvinism. None of these comments undermine the value of the book, but in a US or Australian context, and outside particular religious sub-cultures, one has to start from a different point. More orientation of the discourse and defence of the approach is necessary in a US or Australian context. These comments suggest that more work is required on explaining the markedly different character of discussions of Christianity and economics in

the UK and US Associations of Christian Economists, and Australian groups like the Zadok Institute and the now defunct Sydney Christian Economists Group. I would be very happy to know more about the shape of discussions in African and Asian contexts.

The editors and contributors are to be congratulated on a high quality volume that is one of the best of its genre. It deserves to be widely read by economists, and especially by church people involved in economic policy debates.

**BOOK REVIEW: The Political Economy of a Christian Society by Stephen C. Perks, Kuyper Foundation, Taunton, pp. ix+410 (£14.95)**

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I remember being asked, as a graduate student in the mid-1970s, to write a review of Gary North's *An Introduction to Christian Economics* (The Craig Press, 1974) for a church magazine. On reading it, however, I was so frustrated by North's brand of economics that it defeated me – while I read the book several times, I never did write the review. Stephen Perks' book is very reminiscent of North but I finished the review this time!

The Kuyper Foundation is named after the Dutch Reformed theologian and statesman Abraham Kuyper who is probably best known for his dictum that there is not a square centimetre of life of which Jesus Christ does not say 'It is Mine!'. As a Christian economist from a Dutch Reformed background, I jumped at the chance when asked to review a book on economics published by the Kuyper Foundation and therefore developed on this basis. Perks certainly starts from this Kuyperian point, although not mentioning Kuyper explicitly. In his Introduction he argues that the 'Christian faith demands... as vigorous an application of biblical principles to social, economic and political issues as it does to theological issues... Only as this is done will the church be able to articulate a distinctively *Christian* voice on these issues.' (p.8). Perks' application of this principle to economics/political economy is very disappointing – the coverage of economics/economic policy is very idiosyncratic, the analysis is often confused, undisciplined and, at times, quite wrong and the use of jargon, at some points, frustratingly unconventional. The policy conclusions reached at the end are largely unwarranted by the argument.

The book consists of six chapters as well as seven appendices and a glossary. The first two chapters set the stage; Chapter 1 defines economics and discusses the sub-disciplines of economics and Chapter 2 provides 'some basic concepts and definitions'. The economic analysis is covered in the next two chapters – one on 'The Creation of Wealth' and the other on 'The Banking System'. The final substantive chapter is on "Economic Reform" with the last chapter providing conclusions. The appendices are an assortment of essays, mainly previously published. My review will not cover the appendices.

The aim of the book is twofold: '...first to give a general overview of the field of economics... Secondly, ...to indicate in what respects the economy needs to be reformed if it is to conform to Christian standards and so point the way to what the political economy of a Christian society should be like.' (p. v) The first aim is later given a different emphasis, viz. how the economy works rather than an exposition of the discipline of economics (see pp. 1,2 and 8). Clearly, these are closely related – it is difficult to imagine explaining how the economy works without first examining what economists have said about it although Perks' statement on p. 1 that economics 'has suffered badly at the hands of professional economists' makes one wonder whether he would agree!

Given the first aim, it is fair to expect a comprehensive and balanced, if brief, survey of the discipline of economics. What we get, instead, is a highly selective treatment – both the choice of topics and the discussion of those topics is selective – and a treatment which proceeds in almost complete isolation from modern economics, whether mainstream or that written from a Christian perspective.

The second aim results in prescriptions that will be quite familiar to those conversant with North's Christian libertarian economics. A list of the section headings in the chapter on 'Economic Reform' provides the flavour: abolition of legal tender laws, abolition of government-imposed restrictions on the use of precious metals as currency, reform of the banking system (including the abolition of the central bank), free coinage and abolition of the royal mint, tax reform, and the end of government control and regulation of the economy.

Chapter 1 is headed 'Economics and Economic Disciplines'. The chapter briefly defines economics in largely conventional terms as the study of the stewardship of scarce resources and goes on to discuss the division of the discipline of economics into various sub-disciplines and the problems related to this division. This discussion is rather sparse – apart from an incidental reference to international trade ('often considered as part of macroeconomics', p. 11), there are only four sub-disciplines mentioned: macro, micro, development, and econometrics. Definitions are rather outdated, coming from a 1965 edition of a dictionary of economics,<sup>1</sup> which makes it difficult to take seriously the criticism of the distinctions between, for example, micro and macro which largely ignores the developments in the micro foundations of macro which started in the early 1970s, including the Real Business Cycle literature which has dominated much of macro over the last two decades (for better or for worse).

A recurring theme in this first chapter is the practical consequences of artificial distinctions between the various economics sib-disciplines. Perks rightly notes that sub-disciplines tend to develop specialised methods of analysis and understandably laments the tendency for those in one sub-discipline to ignore what's going on elsewhere. But he surely pushes this complaint too far when he blames (p. 13) the disputes about economic policy between right- and left-wing politicians on the abuse of the distinctions between various sub-disciplines of economics. I'm sure there would be deep disagreements about economic policy even if there were only macroeconomics (or microeconomics or international trade...).

His subsequent illustrations of the danger of the artificial distinctions between the various branches achieve just the opposite. Thus, his section on development economics, for instance, shows then even *within* this sub-discipline there are profound disagreements about the nature and causes of and cure for the problems of underdevelopment (although there is nothing approaching a balanced account of development with most of the references being to the work of Bauer).

Perks is particularly critical of the distinction between micro- and macro-economics although his criticism would have been more credible had he taken into account the developments in macro in the last 20 years. One can't help but think that had he taken modern mainstream macroeconomics more seriously, the reader would have been spared much confusion. For example, the failure of economic policy surely can't all be laid at the feet of the "confused understanding of economic reality" that underlies the micro/macro distinction (p. 23). The reader might also have been informed that there are theories of the business cycle other than Perks' idiosyncratic view that they result from 'government macroeconomic

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<sup>1</sup> A. Seldon and F. G. Pennace, *Everyman's Dictionary of Economics*, Dent, London, 1965.

theory and policy...[being] seemingly out of touch with realities prevailing at the microeconomic level – as they usually are to varying degrees’ (p. 24).

An example of Perks’ ignoring mainstream economics leading to error is his gratuitously insulting treatment of Donald Hay’s discussion of the costs of inflation in his book on Christian economics.<sup>2</sup> Perks uses Hay’s discussion of the redistributive effects of inflation as ‘a typical example of the kind of conclusion reached by economists working in terms of this false dichotomy between macroeconomics and microeconomics’ (p. 26). To put the issue into context, Hay makes the conventional point that if inflation is perfectly anticipated, there will be no redistributive effects since agents will adjust their prices to reflect the anticipated increase in the general price level. Rather, it is unexpected inflation that causes the redistribution of wealth from those who are caught unawares with predetermined prices to those who can make rapid adjustments. Hay then cites a number of references to support his assertion that the redistributive effects of inflation are quite unsubstantial. Perks asserts that ‘This shows a lack of understanding of how the economy works at the microeconomic level’ (p. 26). There follows a very confused account of how firms set their prices in an inflationary environment after which the conclusion is drawn that: ‘Perhaps it would be better if academics who are inclined to make such sweeping claims were to try earning a living under such conditions [price-setting in an inflationary environment] before they glibly brush aside the plight of many of the firms and businesses that have to compete against those who receive the newly created money. Being able to anticipate inflation and being able to avoid its consequences are two very different things, a distinction one would have expected a lecturer in economics at Oxford University to have appreciated’ (pp. 26-27).

The next two sections of the chapter are more of the same. The discussion on international trade asserts that the international trade sub-discipline is another instance of the wrong-headedness of economics. The section opens with the statement that ‘Similar problems [to those resulting from the micro/macro distinction] occur when economists assume that the economic principles relevant to international trade are essentially different to those relevant to domestic trade’ (p. 30). However, the failures of international trade which Perks sets out – a fixation with the balance of payments deficit, industry protection policy based on tariffs and non-tariff barriers, exchange-rate management to ensure a ‘strong currency’, ‘Buy-British!’ campaigns, etc. – are failures of trade policy and not of the inappropriate specialisation by trade economists. I would conjecture that on these issues many mainstream economists would side with Perks. Indeed, mainstream economists often see the movement away from protectionism and towards free trade that we have seen over the past three decades as one of the few victories of the ideas of economists against narrow sectional interests of particular industries and unions. Yet, the failures of trade policy are laid at the feet of inappropriate specialisation in economics rather than policy-makers responding to the perceived pressures from various sections of their electorates.

A final illustration is from the section on economics as a science. Perks here makes the oft-heard complaint against the increasing role of mathematics and statistics in economics, giving it the false aura of an exact science. The conclusion of this section also reverts to the recurring theme of the ultimately disastrous consequences of government intervention which

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

is now laid at the feet of econometrics. The line of argument in this case is that econometrics has given policy-makers the misguided idea that the economy can be modelled exactly and therefore precisely controlled. The resulting policy, being based on the spurious accuracy of the models, is doomed to failure as expectations are disappointed which leads to more desperate measures to control the economy. 'This goes on until total control turns into mismanagement and total failure to control, with the consequent decline of the economy under a morass of regulations, obstructions and disincentives to the creation of wealth' (p. 48).

So far the chapter on 'Economics and Economic Disciplines'. The next chapter sets out 'Some Basic Concepts and Definitions'. It contains definitions/descriptions of 'economic value', 'markets', 'money', 'profit', 'the price mechanism and economic calculation', 'supply and demand', 'capital', 'interest', 'inflation' and 'economic and legal ownership'. While much here is conventional, the exposition is marred by Perks' undisciplined writing; in particular, his inability to hold off on the policy analysis (the inevitably disastrous consequences of government intervention) and stick to explaining the concepts (at this stage) and his occasionally unconventional and at other times inconsistent use of standard economic jargon. Let me explain by example.

The section explaining markets makes a number of standard points about the way in which markets solve the allocation problem. However, it ends up as a defence of the free market system, without any discussion of market failure which surely is the key to economists' reservations with the way in which markets work.

The section on money almost inevitably moves from standard notions of the nature and functions of money to the familiar Northian position that 'fiat money is fraud'. The section on interest unaccountably ends in an explanation of the importance of Calvinism for the development of capitalism in Europe. Terms are at times used unconventionally. Thus 'inflation' is not given its standard meaning of a rising general price level but is used as a synonym for growth of the money supply. 'Capitalisation' appears to be used for an increase in the capital stock and not the process by which an asset's value changes to incorporate the effect of changes in the environment on the expected future returns. 'Productivity' appears to be used for output or production, not average or marginal product. Now, one may, like Humpty, use a word to mean anything one pleases but there are perfectly good words for these concepts – money growth, investment and output and the use of jargon in unconventional ways simply unnecessarily confuses the argument.

At other times the argument is simply wrong. Thus, in the section on profit it is asserted that profits are necessary for the accumulation of capital: '...it is profit...that leads ultimately to capital accumulation and the creation of wealth' (p. 57). This is a central element of the argument for a free market economy (which makes yet another appearance) which concludes: 'the choice before us in terms of the economic organisation of society is a simple one: productivity and profit [free markets], or stagnation and subsistence living [government intervention]...' (p. 58). But the causal relation between profits and wealth accumulation confuses elementary macro concepts: wealth is accumulated saving and saving is the difference between income and consumption, not between sales revenue and costs. Looked at from another perspective: wealth accumulation may occur from wage income (or even from an excess of government revenue over expenditure!) as well as from profit income.

Having got the definitions and concepts out of the way so that the uninitiated should be familiar with the economist's jargon, there now follow two chapters, one on 'The Creation of Wealth' and the next on 'The Banking System', which I take to be the core economics chapters since the remaining two provide us with policy applications and conclusions. This is another instance of the imbalance in the book. It is difficult to see how the core of economics, whether from a Christian or non-Christian perspective, can be arranged under these two headings.

Chapter 3 is on 'The Creation of Wealth' and has as its central theme that capitalism and free trade are necessary and sufficient for the accumulation of wealth and that socialism leads inevitably to 'decapitalisation' and poverty. The chapter begins with an exposition of the benefits of the division of labour but erroneously asserts that the division of labour is necessary for the creation of wealth; in Perks' own illustration, Robinson Crusoe accumulated wealth before Friday arrived and the division of labour became possible. Wealth accumulation requires only that consumption is less than income and while saving may be higher the higher is income or output, a high output level generated by the division of labour is neither necessary nor sufficient for wealth accumulation.

It is argued that capitalism leads to the accumulation of capital and, by means of a romantic story of the capital accumulation process in a capitalist environment, that this makes everyone better-off. Whether those who bear the transition costs of capitalist development would agree that everyone benefits from, for example, the replacement of hand-weaving by power looms (the author's story) is doubtful. Capitalist systems work less well in practice than in the story and this is not to argue that the alternatives are, *ipso facto*, better but that a more careful analysis of the options would be more persuasive.

Perks goes on to make the standard case for the necessity of a moral and legal underpinning for capitalism and that this is best based on a Protestant world-view which is just what happened during the development of capitalism in Puritan Britain. Surely the argument goes too far, however, when he uses the Westminster Confession's exposition of the eighth commandment to support capitalism and asserts that 'it promotes private ownership of property, including the means of production...' (p. 86). And the claim that capitalism is 'all about... promoting our own interests by promoting the interests of others' seems like Adam Smith on his head – my recollection of Adam Smith is that our self-serving behaviour happens to benefit others (and that only under certain assumptions about tastes and technology).

The chapter on 'The Creation of Wealth' concludes with an exposition of the evils of socialism. Unfortunately, socialism is not defined although we do get a clue when we are told that the British economy was capitalist until approximately World War 2 and socialist after that. So socialism includes Mrs Thatcher's Britain, her best efforts to the contrary notwithstanding. Socialism, it is argued, leads to decapitalisation and the consumption of wealth and in the Europe has culminated in the 'grandest and most wasteful policy of economic irrationality in the history of the modern world next to Communism: the European Union' (p. 92). At bottom, socialism 'is little more than the politics of envy' and is manifested in 'legalised theft on a grand scale by the State – income tax, sales tax (VAT), tariffs, control and expropriation of private property, inheritance tax, capital gains tax, company tax, graduated income tax, and fraud on a grand scale by means of government-generated inflation controlled through the central banking system' (p. 93). These strident and

unsubstantiated assertions are hardly a substitute for a careful and balanced analysis of the process of wealth accumulation and the proper role of government in the economy that we are entitled to expect in a discussion of economics or political economy from a Christian point of view. They will convince no one but the converted.

Chapter 4 on ‘The Banking System’ revolves around the story of the 17<sup>th</sup>-century goldsmith who accepted people’s gold for safe-keeping and then, unknown to the owners, lent it to a third party. The result of this practice was debasement of the currency and clearly is fraud. For a biblical perspective on this practice Perks refers to Isaiah 1:21-23, particularly verse 22: ‘Your silver has become dross, your wine mixed with water’ (RSV). Readers familiar with the work of North will recognise this as a key passage in his condemnation of fiat money.<sup>3</sup>

The modern banking system, Perks goes on to argue, is essentially no different to the fraudulent goldsmith. He tells us in his opening section that ‘...currency debasement ... is at the heart of the modern banking system’ (p. 99). Thus governments in modern economies have continued the fraudulent practice of the goldsmith. They have not only allowed the continuation of fractional-reserve banking but have suspended convertibility of the currency and replaced it with fiat money – fraud on a grand scale! The results of this banking system are inflation (in both the usual and in the Perksian senses), misallocation of resources and a redistribution of resources to those who can get their hands on some of the newly created money.

In this chapter Perks reiterates his unconventional definition of inflation as an increase in the money supply rather than a rising general price level and asserts the standard monetary proposition that the former causes the latter although there seems to be some confusion here between a change in the level of the money stock and a continually rising price level. This is also evident later in the chapter when the fractional-reserve banking system is blamed for inflation (of both varieties) when, in fact, it leads to neither. Once banks have reduced their reserves to the minimum, the standard model of the money multiplier shows that the money stock is constant unless the monetary base grows. Moreover, when the monetary base grows, the money stock (and prices) grow at the same proportional rate as the monetary base so that it is the rate of growth of the monetary base (which might be gold or other metals) which determines the rate of growth of the money stock and of prices.

The misallocation of resources that, according to Perks, follows from the fractional reserve banking system is a consequence of the continually expanding money supply that corrupts the price mechanism. What Perks seems to have in mind in this argument is that inflation causes changes in relative prices that leads to a misallocation of resources. But here a careful distinction between anticipated and unanticipated inflation would have been helpful since many economists would argue that it is the consequences of unanticipated inflation that is the problem. Indeed, one of the reasons why the Reserve Bank of Australia, for example, targets a low *positive* inflation rate is that firms can more easily adjust relative prices in a mildly inflationary environment so that a low, positive but steady inflation rate actually

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<sup>3</sup> The exegesis of this passage by North has been subject to careful and convincing criticism by Vickers who argues that the passage has relevance to the ‘nature of the proper and efficient functioning of the monetary system, *whatever the form of money employed*’ (Douglas Vickers, *Economics and Man*, The Craig Press, 1976, p.245).

facilitates relative price adjustment and therefore improves the allocation of resources. Perhaps a careful reading of Hay on the consequences of inflation would have helped!

Perks' argument that the fractional-reserve banking system leads to a redistribution is perhaps the most puzzling in this chapter. It is not the standard argument that monetary growth causes inflation (in the usual sense) and this redistributes income and wealth from those who cannot adjust their portfolios and incomes to take account of expected inflation. Perks identifies a group in society who get the first use of the newly created money and they are seen as benefiting at the expense of all those whose wealth is depreciated as a result of the price rise that eventually follows. In the story of the goldsmith the beneficiaries are the firms who are the first to borrow the money created by the fractional reserve system. In the modern economy they are friends of the government who get subsidies paid out of the seigniorage. What seems to be ignored is that the firms who borrowed from the goldsmiths still had a debt to repay, admittedly of a lower real value but this would have been true of all people with nominally-denominated debt, not only those who first borrowed from the goldsmith. Similarly, while it is true that there are friends of the government who benefit from subsidies, this is true whether they are paid out of seigniorage revenue or taxes or the proceeds of government borrowing. Indeed, it is quite possible that in the absence of monetary expansion, the government would have raised taxes so that tax payers in general are the beneficiaries of the government's 'fraud'.

The final substantive chapter is titled 'Economic Reform' and therefore draws out the implications for reform of the analysis in the preceding chapters. Its foundation is the assertion that Scripture requires that the government's role be restricted to the maintenance of public justice and tax collections be limited to the revenue necessary for the discharge of this function and, in any case, to no more than 9% of income. The scriptural basis for this position is asserted without argument in the beginning of the chapter and consists of three texts: Deut. 17:17, the eighth commandment and Romans 13:1-7. The first of these texts states 'And he [the king] shall not multiply wives for himself, lest his heart turn away; nor shall he greatly multiply for himself silver and gold'. This clearly has something to do with the proper behaviour of the king in Old Testament Israel and may have implications for the economic behaviour of a government in a 21<sup>st</sup> century economy. But these implications are not clear without argument and don't obviously include the limitation of the proper economic role of government to the provision of public justice. What is lacking is a careful examination of the underlying principle and a discussion of the application of this principle to a modern economy – just the sort of development we find in, for example, Donald Hay's book.<sup>4</sup> The other two texts used to underpin the arguments for economic reform, the eighth commandment and Romans 13:1-7, do little to support Perks' argument. Both tests relate to our individual behaviour and have application for the behaviour of government only incidentally. Thus the eighth commandment is primarily directed at individuals – how *I* am to respect my neighbour's goods. Similarly, a straightforward reading of Romans 13:1-7 suggests that it is about how New Testament Christians are to behave towards the government and any information about the proper role of government is incidental to the passage. Thus I find it difficult to be as certain about the proper limits of government activity as Perks is and, certainly, find his case for severely limited government entirely unpersuasive.

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<sup>4</sup> See also the extensive discussion in the recent book by John Boersema, *Political-Economic Activity to the Honour of God*, Premier Publishing, Winnipeg, Manitoba, 1999 which devotes three chapters to the question of the proper role of government in a modern economy.

On this flimsy basis Perks proposes the dismantling of almost the entire machinery of modern government: government control of the monetary and financial system (except to prevent fraud), government involvement in social security, health, education, transport, utilities and all other business undertakings and, on the revenue side, a restriction of taxes to a direct tax on income at a flat rate of no more than 9%. As argued above, what is missing is an engagement with standard arguments put forward by economists in the area of public economics (arguments about public goods and externalities on the expenditure side and, on the tax side, arguments about incentive effects of taxes and optimal taxes) and an engagement with economists writing from a Christian perspective who have treated this issue extensively. Perhaps Perks finds these arguments unconvincing or even irrelevant but in a book that purports to ‘give a general overview of the field of economics’ they can hardly be ignored.

In conclusion, this book is a highly idiosyncratic treatment of economics and economic policy. It is written in almost complete isolation from modern economics and will therefore have limited appeal to readers with an economics training. It also ignores most writing by Christians on economics. Moreover, it makes numerous errors of reasoning. Its application of Scripture to problems of policy in modern economies is often cursory and unconvincing. On the basis of this it arrives at policy conclusions of the most far-reaching kind – effectively the dismantling of most of the machinery of government in modern societies.