

THE CENTRE FOR ENTERPRISE, MARKETS AND ETHICS

ENTERPRISE AND VALUES SERIES

ETHICS AND  
ECONOMICS:  
ECONOMICS AS SERVANT  
OR MASTER?

BARBARA RIDPATH

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# INTRODUCTION

The original premise of this piece was to consider how academic, professional and popular economics became detached from any firm ethical moorings, and whether there were ways to reacquaint the two disciplines. Since then, this thesis has been challenged by reading the American social-gospel theologian Walter Rauschenbusch, who asks why our economic system is so ‘fundamentally un-Christian’.<sup>1</sup>

This publication presumes that the current economic system as evidenced by business and markets exists to serve society and not the other way around. It looks at how the central notion of self-interest as an assumption in economics abases and perverts traditional humanistic and Christian thinking about purpose and service in practice. It shows how a transactional approach to every activity, instead of promoting some optimum equilibrium, actually neglects and endangers values Christians and others hold dear, such as love of neighbour, community, hospitality and stewardship of God’s earth.

The simplifying assumptions of economics, such as self-interest and market-clearing prices, let loose beyond the academic discipline, have come to be taken as absolute truths. This has created distortions. Rather than using economics as a tool for thinking about the organisation of society, the tools have become our organising principles. The shift from Adam Smith’s concept of self-interest as being bound up in the fortunes of others, to the integration of pure selfishness into most human transactions, has actually altered how we think and behave. It has changed our behavioural responses and crowded out other, more humane responses.

The following looks at how markets actually change values. In addition, it argues that the fetishisation of the current economic system has been used, in an increasingly diverse world, to avoid making moral or value judgements among people who may not share beliefs. However, it is just this lack of such judgement that has led us to presume that the ‘invisible hand’ of markets will do its job without guidance. This is false.<sup>2</sup>

Whether intentional or unintentional, the consequences are significant. In the same way that the ‘pure’ sciences of medicine and technology have recognised that ethical reasoning must be at the heart of decisions about the application of many of their discoveries, so too is this necessary in economics. A restoration of a common understanding of the society in which we wish to live is also necessary. The Conclusions chapter considers ways we might try and put the economic genie back in the bottle, and if not reunite ethics and economics, at least get them back on a nodding acquaintance.

It is difficult to do all this without considering how change occurs in modern society, largely through politics and government. For this reason, the Conclusions also briefly explore the relationship between the economy and democracy, how government might better reflect its citizens’ views on values, and how these views in turn might reshape our economy.

## NOTES TO INTRODUCTION

- 1 Robert T. Handy (ed.), *The Social Gospel in America, 1870–1920: Gladden, Ely, Rauschenbusch* (New York: Oxford University Press, 1966), p. 362.
- 2 Jean Tirole, *Économie du Bien Commun* (Paris: Presses Universitaires de France, 2016), p. 17.



# CHAPTER 1

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## A BRIEF HISTORY OF RECENT CHANGES TO ECONOMIC THOUGHT

Economics is a social science that looks at the ordering of society around the production, distribution and consumption of goods and services. As originally studied and practised, it was deeply integrated with politics and philosophy, and studied as political economy. Since this holistic view of the human being in society was central to the discipline, economists and theologians were in deep and healthy conversation from the eighteenth until the middle of the nineteenth centuries. After this, in Britain (and mostly elsewhere), the two disciplines parted ways.

It is worth exploring briefly some of the reasons for this. The split occurred both because those studying the subject became swept up with the rationalism and scientific thought of the Enlightenment and beyond, and because from the English Civil War until the Victorian age the Church effectively withdrew from the sphere of economic activity.

Much of political economy as an academic discipline had its origin in natural theology (*theologia naturalis*) based on reason and ordinary experience. Adam Smith lectured on problems of moral philosophy at the University of Glasgow. At the time, moral philosophy encompassed natural theology, ethics, jurisprudence and political economy. As many others have remarked, reading his *Theory of Moral Sentiments* together with *The Wealth of Nations*, it is fair to assume that Smith believed people would bring all their moral sentiments to the invisible-hand bargain.

Economics increasingly came to be seen as a substitute for political economy.<sup>1</sup> The abstractions of David Ricardo began, perhaps, the claim of economics to be considered as a science.<sup>2</sup> Max Weber

insisted on social sciences being value-neutral, and economics has become ‘self-consciously non-ethical’ since then.<sup>3</sup> It began to use methods, experimentation and reasoning similar to and consistent with other social sciences, if not pure sciences. Such a pursuit wanted hypotheses, laws and answers, which were largely inconsistent with the vagaries of human behaviour and emotion. In the 1930s, Lionel Robbins promoted economics as a value-free science that should only inform us on the choices we have rather than normatively decide for us.<sup>4</sup>

This divorce between values and material society is attributed, by R. H. Tawney, equally to the Church’s abdication of its own responsibility for a holistic view of people in economic society, by escaping into what he calls ‘indifferentism’.<sup>5</sup> As he put it:

After the Civil War, the attempt to maintain the theory that there was a Christian standard of economic conduct was impossible, not only because of lay opposition, but because the division of the churches made it evident that no common standard existed which could be enforced by ecclesiastical machinery.<sup>6</sup>

However, others, such as A. M. C. Waterman, argue that the Church’s outlook at the time was entirely conditioned by current thinking and supported changing views by ‘expressing favour upon private property rights, free and competitive markets ... wage labour, and a high degree of social and economic inequality’.<sup>7</sup>

Of course, the supreme irony is that Protestantism stands accused by both Tawney and Robert Heilbroner, not to mention Weber, of bringing this about by coming to see work as a spiritual calling, and amalgamating the spiritual and temporal lives. Protestantism weakened both the unity of Christians and the Church’s overarching structure, which took single positions on issues. As Protestantism gave more authority to local churches and individuals in their relationship

with God, so too did it eventually permit parishioners to choose the aspects of faith that suited them and discard those that did not. Over a period of centuries, the explosion of Christian divisions, together with increased secularisation, has changed the nature of faith in the public square:

Religion has been converted from the keystone which holds together the social edifice into one department within it, and the idea of a rule of right is replaced by economic expediency as the arbiter of policy and the criterion of conduct.<sup>8</sup>

The history of bemoaning the separation of economics from values is almost as long as the separation itself. J. S. Mill argued that economics was all about production. Distribution was in the gift of society, dependent on laws and customs. There was no ‘correct’ distribution, nor any economic ‘laws’ that dictated it. The arguments against the separation, initiated with Thomas Carlyle, John Ruskin and the Victorian reformers, tended to be written by theologians and thinkers of the nineteenth and early twentieth centuries, such as Tawney, Henry Scott Holland, Beatrice and Sidney Webb and the Oxford Movement.

**‘The history of bemoaning the separation of economics from values is almost as long as the separation itself’**

Though our focus here is largely on British thinking, important US theologians argued strongly for more just and equitable labour and distribution practices. These included, most notably, Walter Rauschenbusch, as a leading proponent of the social gospel, and Reinhold Niebuhr, with his Christian realism, in the early and mid-twentieth century respectively.

Excepting Karl Marx, very few critics bothered to learn much if any economics before engaging with it.<sup>9</sup> The dialogue was stilted because few theologians understood economics, and few economists cared much to understand either ethics or theology. Given that it is always

essential to understand any perceived opponent before trying to argue with them, this may have been one reason why the discussions were so fruitless. Observing the ebbs and flows of the critique over time, momentum for engagement from the Church tends to rise in times of economic crisis and recede when most are prospering. Therefore, debates that occurred through the 1930s largely faded during and after the Second World War as growth and prosperity began to spread.

It is worth remembering that these days the general public often equates economics with capitalism. However, there used to be, and remain, many different schools of economics and several different world views among academic economists, with socialists and Marxists having distinctly different interpretations of the ‘laws’ of economics. Capitalism itself came to the fore relatively recently, and was not used to name an economic system until the late nineteenth century.

Marx wrote in the mid-Victorian age, when many social reformers were bemoaning the effects of industrialisation on equality and the treatment of labour and the poor. He saw society as a battle between those who controlled the capital and those who laboured, with the excess of labour supply keeping wages down. He looked for a rising up of the lower classes – which he called the proletariat – to take over the means of production, as a result of the conditions in which they were forced to work and live.

There is a supreme irony to the Church’s reaction to Marxism. Religious leaders understandably despised Marx’s atheism and his naming of religion as ‘the opiate of the people’. However, what Marx called for was a system in which each produced in accordance to their ability and each consumed in accordance with their needs. Such a system resembles very closely the early New Testament Church and the teachings of Jesus.

The two World Wars and the intervening Great Depression had a dramatic effect on the working out of economic theory, resulting in several trends that shaped the post-war development of economics.

First and most important was the introduction and dominance of Keynesianism. The promulgation of John Maynard Keynes's policies led to 30–40 years of fiscal-policy dominance, during which government spending was used to regulate economic growth rates. For much of the Western world, this period resulted in the most even income and wealth distributions of modern times.

Second, during this time some principles of economics were proved not to be immutable. Notably, it became apparent that not all consumers expressed their preferences in the same way. Third, in the post-war era, economic science became ever more specialised, working on very specific issues within macroeconomics (how whole economies function) and microeconomics (how firms, households and individuals function), holding as an assumption that the overall economic model continued to function well. Fourth, Milton Friedman's monetary policy – using interest rates and the supply of money to ensure price stability – became a popular alternative to fiscal policy. In addition, issues pushed aside by defining them as 'externalities' came to be critical, notably pollution and climate change. Regulation became the solution for such elements of the material world that economics could not price or fit into its system, as well as for the economic propensity of companies towards concentration and monopoly.

As early as the 1970s, Paul Baran and Paul Sweezy recognised that ever-smaller subdivision of academic disciplines was often ineffective, as it abstracted from the interactions across disciplines. A holistic view of issues is often necessary to understand a problem, its causality and its resolution.<sup>10</sup> This is particularly true when economics is used to make policy, as discussed in the section on behavioural economics below.

## 1.1 NEOLIBERAL ECONOMICS

Neoliberal economics, here defined as the resurgence of nineteenth-century ideas associated with *laissez-faire* economic liberalism and free-market capitalism, was born in the aftermath of the post-

**‘Profit maximisation by companies should not be pursued by wilfully harming others’**

Second World War stimulus of Keynesianism, as a reaction to growing government deficits, expanding public-sector employment and an increasing role for government regulation.

Both Margaret Thatcher and Ronald Reagan felt that the encroachment of government into economic life had gone too far, and that interest and repayments of existing government debt would impose too high a burden on future generations. They believed that in almost every instance the private sector could accomplish goals more effectively and efficiently than government. On both sides of the Atlantic they sought to institute their own version of laissez-faire economics, with the markets as the most effective regulator. In the UK, this included the privatisation of almost all nationalised industries and many utilities, and the deregulation of the City of London. In the USA, moves included tax cuts, a shift in fiscal responsibilities to states from the federal government, and a dramatic decrease in regulation.

These policies were strongly supported by Friedman and his oft-quoted article stating that the only purpose of business was the maximisation of shareholder returns.<sup>11</sup> However, as we will see, almost any argument in business or economics can be quickly misused or taken to extremes. According to Jeffrey Sachs, the point of Friedman’s statement was to make business less harmful. Profit maximisation by companies should not be pursued by wilfully harming others, such as through financial trickery, shadowy tax practices, environmental destruction, unsafe workplaces, bribery or self-serving lobbying: ‘Friedman failed to enunciate clearly the standard of “Do No Harm” and thus wittingly or unwittingly gave licence to relentless corporate abuses in the name of shareholder wealth maximisation.’<sup>12</sup>

The initial perceived successes of this market fundamentalism in terms of deficit reduction, growth and declining interest rates turned many people into believers. This is partly because the less attractive

aspects of these policies – notably increased income and wealth inequality and decreased savings and public-service provision, with its effect on social care and homelessness – took longer to become apparent. Over the decades of the 1980s and 90s, this translated into blind faith that private markets and rational decision-making were a fair description of how ordinary people faced with risky alternatives actually went about making choices. That leap of faith had at least one obvious implication for the sort of advice economists gave to political leaders: ‘It tilted everything in the direction of giving people the freedom to choose and leaving markets alone.’<sup>13</sup> The belief in the effectiveness of markets drove government policy towards free-market solutions on issues such as public housing and private finance initiatives. Government decision-making increasingly tried to harness people’s self-interest to pursue policy goals, and used tools such as cost-benefit analysis to evaluate policy options.

Unintentionally, this period of emphasis on private markets and shareholder primacy enabled unchecked growth of corporations and their power and political influence, enormous expansion of financial markets and financial intermediation, and ‘empowered the market to erode social institutions, eventually creating a backlash against citizens being downgraded to mere consumers’.<sup>14</sup> Together with the reduction or elimination of barriers to flows of money (capital flows) across borders, this period sowed the seeds for financialisation and globalisation as we know them today.

## 1.2 ENTER BEHAVIOURAL ECONOMICS

Rather than question or rethink existing theory, patches were introduced to economics in areas where theory proved ineffective. The most prevalent of these are game theory and behavioural economics. Game theory is the study of strategic interaction between economic agents, which helps examine, among other things, human conflict and cooperation within a competitive situation. Behavioural economics

examines the effects of psychological, cognitive, emotional, cultural and social factors on the economic decisions of individuals and institutions, and how these vary from those implied by classical theory. Both reintroduce the element of psychology into the economist's lexicon, to understand how and why people really behave in certain situations. These approaches enabled economics to address some of the vagaries of human behaviour unexplained by economic principles. At government level, in 2010 the UK famously created a Nudge Unit – now independent – for just this purpose.

**‘A huge range of factors determine our economic behaviour’**

The integration of game theory and behavioural economics as a means to incorporate more complexity into economic models – particularly around human behaviour – is a welcome and important development. Both techniques enable economists to think about why people choose to cooperate and collaborate instead of compete. They can also help model policy changes that encourage people to improve their behaviour. Here the central London Congestion Charge – unlike the extremely successful 5p plastic bag charge – presents an ineffective example of such a behavioural nudge.

Not only do a huge range of factors determine our economic behaviour but our choices and priorities change in the course of a human life. Economists recognise this. But society's choices also change over time due to changing human nature and social conditions. For this reason, economics never could or should be treated as immutable and separate from social considerations. As Mill wrote two centuries ago, most elements of the economy, such as taxes, inheritance, labour conditions, perception of wealth and wealth taxes, are subject to the highly mutable determinations of the socio-political order in which we live. Mindfulness that we both shape our economic system, but that it also shapes our behaviours and us, may be a first step towards understanding what needs to change.

## A SHORT DIVERSION ON ACADEMIC ECONOMICS (I)

While Ricardo was the first to make economics abstract, the introduction of mathematics to economics began in the Victorian era with Francis Edgeworth, Johann Heinrich von Thünen and Léon Walras.<sup>15</sup> Today, there is no alternative to using mathematics in its various forms to elucidate many of the analytical purposes for which economics exists.<sup>16</sup>

Today's economies are infinitely more complex and interdependent than they were in the time of Adam Smith's pin factory. As that complexity and interdependency grow, so too 'do both the quantity of, and the demand for, information on a wholly new scale'.<sup>17</sup> This has led the study of economics to split into two types of quantitative investigation. The more traditional is commonly known as mathematical economics, which is used for the solution of theoretical problems. Such work creates elegant but arguably often unworkable solutions. The alternative approach is more correctly named economic statistics, which uses the enhanced capacity of modern computers to analyse huge swathes of data. Much current policy analysis, such as by Angus Deaton and Anne Case, tends to come from the statistical direction, the aim being to give the best estimation of one effect or another.

While arguably useful, this maths domination creates several difficulties. First, it makes outcomes hard to understand for the non-mathematician, which is a problem when solutions are being used to solve real-world issues. Second, it gives the impression that mathematical solutions explain the real world. While they may be elegant, they may not accurately describe human reality.

At the same time, academic economics has become ever narrower, with ever more mathematical research. Peer-reviewed journals and tenure-seeking behaviour encourage most academic economists to write for each other and not a wider audience. Again, when economics was a backwater discipline, this was fine. However, as economic thinking begins to permeate all aspects of society, society's members have a right to understand the thinking.

In addition, most academic economists' careers are built by adhering to a specific school, theory or subdiscipline of economics. To admit one is wrong means undoing the very basis of one's career. The unwillingness by many to rethink finance and economics after the global financial crisis was in no small part based on this career dependency. Those willing to 'think differently' tend to be either at the very end of their careers or the very beginning.

Last of all, like putting volatile chemicals in the hands of amateurs, market practitioners have taken results of academic economists and misused them, used them to extremes for which they were not intended or used them without the caveats or nuance of theorists. That so many quote the invisible hand of Adam Smith without remembering that one is meant to bring all one's morality to each moral bargain is but one example. In particular, many market practitioners and policymakers unversed in mathematics have taken mathematical models to be replicating reality rather than approximating it. Models often use only a restricted number of variables, when in reality many other factors collide, rendering much work less explanatory and the real-world outcomes quite different.

### 1.3 FINANCIALISATION AND GLOBALISATION

Today's economies are more interdependent than were the workers in Adam Smith's pin factory, where the acquisition of wire and cutters were all the outside requirements necessary to start making pins. In search of increased returns on investment, lower labour costs and larger markets, companies now sell goods and services across the globe. Products may be made from materials from one continent, from parts manufactured on a second, be assembled on a third and sold as the finished product on a fourth. This has raised the incomes and standard of living for a huge swathe of the world's population, but at a cost to some sectors of it, and to the environment, that we are just now beginning to fathom.

Perhaps had this been given more thought in advance, we could have avoided some of the excesses. Might we have limited the dispossession of relatively expensive but unskilled Western workers? Might we have recognised the frustrations of those who have not benefited from the massive dislocations of people, industry and resources caused by globalisation? Could we have shifted the values and desires of the 'I want it now' culture? Were these effects the necessary consequences of globalisation and growth, or could they have been anticipated and controlled with a little more forethought and planning?

### 1.4 WHERE ARE WE NOW?

Its separation from ethics worked well to progress thinking on the subject of economics as long as it was a relative backwater in the social sciences. However, given the dominance of economic thinking in numerous walks of life today, we find many of the academic assumptions of economics being misread as absolute truths by non-economists. Absent any ethical lens, a conversation between the two disciplines needs to be re-established. More recently the idea has been revived by economists themselves, such as Amartya Sen, Jean Tirole and Samuel Bowles, and popularised by philosophers such as Michael

Sandel. A wealth of new books discussing the ‘crisis of capitalism’ and a ‘new economics’ suggest that an increasing number of economists and other thinkers are concerned about the unintended consequences of overdependence on markets, the results of neoliberalism, and an over-literal interpretation of Friedman’s theory of the firm.

Government efforts to mobilise against the current coronavirus pandemic, and to rescue industry and workers alike from its worst economic effects, represent a wholesale change in our approach to the economy – almost overnight. Will this make us rethink our approach to economics and the economy? It is difficult not to question a ‘perfect’ system that needs to be bailed out by government twice in 20 years.

Over 80 years ago, the political philosopher A. D. Lindsay wrote that:

the economic system which ought to be merely an instrument – and which, when it is that, may be a fine and wonderful one – [can] easily come to be regarded as an end in itself ... when that happens, it changes the proportions which primary and secondary human relations take in our lives, and ... easily perverts our sense of values and weakens our sense of personal responsibility.<sup>18</sup>

More recently, this has been stated by Sandel as: ‘markets are not mere mechanisms; they embody certain values. And sometimes market values crowd out nonmarket norms worth caring about.’<sup>19</sup> The rest of this publication will look at the values we wish to preserve, and how we might reinsert them into our capitalist economy.

## NOTES TO CHAPTER 1

- 1 Wolfgang Grassl and André Habisch, ‘Ethics and Economics: Towards a New Humanistic Synthesis for Business’, *Journal of Business Ethics* 99:1, 16th International Symposium on Ethics, Business and Society (March 2011), p. 37; <https://www.jstor.org/stable/41476180> (accessed 01.05.20).

- 2 Robert Heilbroner, *The Worldly Philosophers* (London: Penguin Books, 2000), p. 103. Heilbroner suggests it is this very penchant for oversimplification to which we also owe the rather spotty record of economics as a science.
- 3 Grassl and Habisch, 'Ethics and Economics', p. 37.
- 4 Daniel Zamora and Niklas Olsen, 'How Neo-Liberalism Created the Populist Backlash' (review of Wendy Brown, *In the Ruins of Neoliberalism*), *Tribune Magazine*, 30 September 2019; <https://tribunemag.co.uk/2019/09/how-neoliberalism-created-the-populist-backlash> (accessed 10.01.20).
- 5 R. H. Tawney, *Religion and the Rise of Capitalism* (London: Macmillan & Co., 1939), p. 188.
- 6 Tawney, *Religion and the Rise of Capitalism*, pp. 9–10.
- 7 A. M. C. Waterman, *Revolution, Economics and Religion: Christian Political Economy 1798–1833* (Cambridge: Cambridge University Press, 1991), p. 9.
- 8 A. D. Lindsay, *Christianity and Economics* (London: Macmillan & Co. 1933), p. 8.
- 9 Heilbroner, *Worldly Philosophers*, pp. 317–18.
- 10 P. M. Baran and P. A. Sweezy, *Monopoly Capital* (London: Pelican, 1966), Preface.
- 11 Milton Friedman, 'The Social Responsibility of Business is to Increase its Profits', *The New York Times Magazine*, 13 September 1970.
- 12 Professor Jeffrey D. Sachs, in letter to the *Financial Times*, 22 October 2019; <https://www.ft.com/content/2e1d3c40-f1c9-11e9-bfa4-b25f11f42901?> (accessed 15.04.20).
- 13 Michael Lewis, *The Undoing Project: A Friendship that Changed the World* (London: Allen Lane, 2017), p. 255.
- 14 Zamora and Olsen, 'How Neo-Liberalism Created the Populist Backlash'.
- 15 Heilbroner, *Worldly Philosophers*, pp. 174–5.
- 16 Heilbroner, *Worldly Philosophers*, p. 314.
- 17 Heilbroner, *Worldly Philosophers*, p. 314.
- 18 Lindsay, *Christianity and Economics*, p. 69.
- 19 Michael Sandel, *What Money Can't Buy: The Moral Limits of Markets* (London: Allen Lane, 2012), p. 113.

## CHAPTER 2

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### AN ETHICAL AND CHRISTIAN FRAMEWORK

Chapter 1 showed how economics consciously separated itself from moral theology, the better to understand the principles and laws of production, labour and consumption. It also itemised how this particular approach to economics, rather than remaining an academic backwater, reinforced the capitalist system, based on self-interest and markets, that has come to dominate behaviour in many walks of life for which it wasn't initially intended, such as cost-benefit analysis in government decision-making. Natural outcomes of capitalist economics, among them a tendency towards monopoly, a concentration of wealth and power, imperfect information, and externalities – for example pollution and climate change – have been looked at objectively by economists but need resolution by society. An entire industry – advertising – has been created and designed to manipulate our natural needs and wants. And for some, capitalism has become every bit as much an article of belief and faith as Marxism and Christianity are for others.

However, acting in pure self-interest is inimical to most ethical systems, in particular Christian ethics: 'Self-interested acts must be shown to be compatible with more broadly based ethical principles if they are to be ethically defensible, for the notion of ethics carries with it the idea of something bigger than the individual.'<sup>1</sup> At the very least, this idea of a construct above the level of the individual relies on a consideration of 'we' not just 'I'. An economic system that also permits its members to cleave to an ethical framework that goes beyond self-interest should be workable (whether and how that might come about will figure in the Conclusions).

This chapter will examine three key concepts – self-interest, property and justice – and how they are dealt with in Christian ethics, in order to test our existing system against them in the following chapter. Rather

than describe humans as fallen, it will take as its starting premise the concept that we are neither all good nor all evil, but flawed. This will have a key effect on both how we respond and how we can be manipulated when systems play to our weaknesses.

It is worth remembering that the Bible does not speak at length about economic relations, and when it does it is referring to a society dramatically different from today's. Christian ethics regarding economics and

**‘We are neither  
all good nor all  
evil, but flawed’**

business have evolved over time as theology has evolved, notably through the Reformation and Puritanism, which dealt in particular with issues of usury and poverty. In more recent times, the focus has been on how to think about love of neighbour, service, equality, stewardship and social justice in a context of economics and business. The implications of human equality and infinite worth for the organisation of society are not only to be derived from the Bible but also need to be perceived and worked out by human conscience.<sup>2</sup> And while there are some absolutes, notably the Ten Commandments, Christian ethics can and should evolve to deal with changing questions in society. In recent times, this has been clear with the development of medical ethics and, increasingly, ethics around technological issues such as artificial intelligence, as well as environmental ethics.

## 2.1 LOVE OF NEIGHBOUR VERSUS SELF-INTEREST

‘If I am not for myself, who will be? If I am only for myself, who am I?’<sup>3</sup> This issue is wrapped up not only in the economic concept of self-interest versus the Christian concern for others, but also in the fundamental tenets of Christianity of the equality of all individuals before God and love of neighbour. Recall that Jesus points us to the two most important commandments, and that the second is to love our neighbours as ourselves (Mark 12.29–31). Rabbi Hillel reminds us that on this and the love of God hang the whole of the law and the prophets.<sup>4</sup>

Yet just because we are all equal before God, it does not necessarily follow that we are exactly equal on earth. The Bible recognises that we are all given different talents and gifts (Rom. 12.6). Nor are we ever certain just how large is our neighbourhood when discussing our neighbours. It can be defined from as small as our postcode to as large as the whole world. Nonetheless, together with numerous verses instructing us on our obligations towards the poor and on love of neighbour, these commandments do begin to suggest a problem when rewards of income or wealth become vastly unequal. As inequality – whether of outcome or opportunity – rises, it becomes harder for people to perceive the truth of equality before God, since it is contradicted by their experience of the world. When people treat their remuneration as indicative of their personal worth, the truth of their equality before God is obscured. This is not just a spiritual trap for the rich: poorly remunerated people can become convinced they are worthless in God's eyes because they feel worthless in the eyes of the world.<sup>5</sup>

The principle of equality means that every person is possessed of certain inalienable rights; that every person is an end in him or herself, never to be used merely as a means to something else, regardless of gifts and talents.<sup>6</sup> In addition, an explicit instruction to share is found in the New Testament: 'it is a question of a fair balance between your present abundance and their need, so that their abundance may be for your need, in order that there may be a fair balance' (2 Cor. 8.13–14). All of this becomes vital to the issues of property and justice considered below.

## 2.2 PROPERTY

Property rights are fundamental to the functioning of our current economic system. This is the antithesis of much New Testament teaching, whereby as followers we are asked to give all our property

to the benefit of the Church and encouraged to hold it in common. Yet the Old Testament treats property very differently. The eighth commandment, ‘you shall not steal’, and the tenth commandment, ‘you shall not covet’, have been interpreted as safeguarding the rights of property and the free use and enjoyment of the things we possess (Exod. 20.15, 17).<sup>7</sup>

Nonetheless, as Christians we should remember that:

We do not possess anything in the world, absolutely, not even our own bodies; we hold things in trust for God, who created them, and are bound, therefore, to use them only as He intends that they should be used.<sup>8</sup>

The right use of property demands that it shall contribute directly or indirectly to the common good. To hoard money for the mere pleasure of possessing it is the self-indulgent vice of the miser. To own more than one can enjoy oneself and not to use the surplus to promote the common good is meanness. To use the right to enjoy one’s wealth in disregard of the crying need of others is hardness.<sup>9</sup>

And the New Testament warns us:

Do not store up for yourselves treasures on earth, where moth and rust consume, and where thieves break in and steal; but store up for yourselves treasures in heaven, where neither moth and nor rust consumes and where thieves do not break in and steal. For where your treasure is, there your heart will be also. (Matt. 6.19–21)

All property is, in a sense, a trust, to be wisely and discreetly used. Its possession imposes grave responsibilities. Yet the requirement that all property serve the common good directly or indirectly is capable of wide interpretation. Aquinas’s take on it is rather strict: ‘since property exists for satisfaction of human needs, whatever a man has in super abundance is owed, of natural right, to the poor for their sustenance.’<sup>10</sup>

This is where the use of property for the satisfaction of the needs of others, through family, church, local community and philanthropy, has a significant place in society.

**‘All property is, in a sense, a trust, to be wisely and discreetly used’**

Alternatively, Reinhold Niebuhr looks at property as power: inequalities of possession have always made for an unjust distribution of the common social fund.<sup>11</sup> This is where significant difference lies between those who think redistribution is the function of charity and those who believe it is the work of government. Catholic Social Teaching would argue for the former, Christian Socialists for the latter; both would concur that some redistribution aimed at diminished inequality is desirable.

We transfer property largely by means of money and occasionally by gift. Money exists in order to facilitate an equality of exchange, and its proper use is the ‘just price’.<sup>12</sup> Christian ethics stresses the duty of everyone to aim at and be content with this price, and not to strive for something more.<sup>13</sup> The theory of the just price gives each of the parties to the contract a roughly equal benefit, and from it comes the original intent of a contract: that it should be of equal benefit to the parties it engages.

This concept explicitly condemns the maxim ‘seek to buy in the cheapest and sell in the dearest market’ as a true or safe guide to commercial conduct, and is in opposition to market fundamentalists, who would argue that a just price is that determined by the interaction of supply and demand that clears the market. The principle of the just price addresses a core problem within our current economic system: the asymmetry of information in markets permits some to benefit at the expense of others. As an example, pharmaceutical companies’ use of marginal product changes to control drug patents, together with deployment of unequal power and wealth to litigate to ensure market control, violates the concept of equal benefit in every possible

way.<sup>14</sup> Such practice is also clearly contrary to ‘do to others as you would have them do to you’ (Luke 6.31) and ‘love your neighbour as yourself’ (Mark 12.31).

To the extent that we do possess property, we have a duty to respect the rights of others concerning that property. If our free use and enjoyment of it creates environmental damage (or as economists would call it, an externality), we are not respecting others’ rights. When we transfer property to others, we are called to do so at a just price. What the market will bear is not necessarily a just price, benefiting buyer and seller equally, particularly if one of the two parties has more power – or information – than the other.

### 2.3 JUSTICE

The Christian concept of justice hinges on the ‘law of love’, by which all of us have great and equal worth as a result of being made in the image of God and loved redemptively by God. Translating this concept in everyday life, let alone realising it in modern-day judicial systems, is a daunting task. And yet every child has an innate sense of what is fair or not, and we recognise that justice is one of the most important moral values in the spheres of law and politics.

However: ‘justice is not simply about individual rights. It is also about the moral life of political collectives: the right ordering of relations vis-à-vis a moral reference point that transcends social convention.’<sup>15</sup> Legal and political systems that maintain law and order are desirable, but they cannot accomplish either unless they also achieve justice.<sup>16</sup>

Within Christian ethics, views on justice vary widely, often as a function of one’s view of evil and original sin, and the need to restrain evil. To the extent that the Christian vocation is to work towards the creation of the kingdom of God on earth, a compromise exists. We strive for justice in a flawed world. This creates a tension between always

trying to achieve Walter Rauschenbusch's justice as an ethic of love, while recognising Niebuhr's view that we need to constrain the power of evil.<sup>17</sup> The principles of equal justice are thus approximations of the law of love in the kind of imperfect world we know, and not principles that belong to a world of transcendent perfection.<sup>18</sup>

However, in the context of equality under God, discussed above, we need to consider how we treat our fellow humans as ends in themselves and not as instruments. This has serious implications for justice but also for work and labour law.

From this short consideration of three concepts in Christian ethics – love of neighbour versus self-interest, property and justice – perhaps the general conclusion is that we must simply be wary of any principle taken to extremes. Large-scale inequality in ownership or use of property, or asymmetries of information, each constitute an abuse that cannot be condoned by Christian ethics. We need look no further than Paul's first letter to the Thessalonians: 'encourage the faint-hearted, help the weak, be patient with all of them. See that none of you repays evil for evil, but always seek to do good to one another and to all' (1 Thess. 5.14–15).

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## CHAPTER 3

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# APPLYING CHRISTIAN ETHICS TO ECONOMICS

Responsibility for the divorce between economics and ethics lies not only with economists and business people but also with theologians and the Church. Too few of each understand the disciplines and arguments of the other. In addition to R. H. Tawney's 'indifferentism' there was an incrementalism, whereby the Church either neglected or supported the evolution of the market within the capitalist system until its power was difficult to challenge effectively. Harvey Cox argues that in the USA, the market became a god worshipped in its own right;<sup>1</sup> and as Walter Rauschenbusch wrote:

The collective intelligence of the Christian Church has not really come to any clearness about the fundamental moral relations involved in modern economic life. It instinctively condemns some of its worst excesses, but even among its leaders, many have no clear grasp of the moral nature and genius of our industrial and commercial world.<sup>2</sup>

In 1930, in his Henry Scott Holland Memorial lectures on 'Christianity and Economics', A. D. Lindsay argued that 'the right relations between Christianity and economics still awaits solution'.<sup>3</sup> What was true then remains true 90 years later.

With the Church and the economy living now in entirely divorced spheres, Catholic Social Teaching, as well as Anglican Social Theology, are trying to make headway on how Christians live well in today's world, but they are doing so within a system that has already distorted the values of many of its participants. Economic analysis is intended to help understand and predict the consequences of human

behaviour. The supreme irony is that its relevance to policymaking depends, in part, on what one believes to be the final source of value standards, notably:

- What is the standard of good?
- How does one establish that something is good?
- Who should be the beneficiaries of the good?<sup>4</sup>

It is impossible to answer these questions, let alone well, without a sense of core values.

This chapter will look at our economic system in light of the ethical concepts discussed in Chapter 2. It will consider some of the key economic assumptions and developments that pose difficulties from an ethical perspective. These include: self-interest, the market, and implications of its power, labour and externalities.

### 3.1 SELF-INTERESTED BEHAVIOUR

Orientating so much of our thinking towards efficient markets through self-interested behaviour has gone far further than the economic models ever intended. Adam Smith's *Theory of Moral Sentiments* suggests that sympathy and self-discipline play an important part in his conception of the good behaviour required – not self-interest alone. The narrowing of Smith's broad conception of human beings is one of the major deficiencies of contemporary economic theory.<sup>5</sup>

Effectively, the use of economics in the business world reinforces one aspect of peoples' natures: their inherent self-interest and desire for power. It neglects the multidimensional complexities of human motivation, such as group affiliation or loyalty, service, generosity or selflessness. In essence, capitalism reinforces our worst natures.

According to Rauschenbusch, the unintended consequence of this is to change human behaviour, encouraging self-interest, with nefarious results that include loss of empathy, community and relationship: ‘When we try to judge our economic system from the point of view of Christian morals, we must not forget that it has biased the moral judgment by which it is to be measured.’<sup>6</sup> Economic rationalism begins to have a corrupting effect on previously social/moral behaviour.<sup>7</sup> Rauschenbusch was among the first to argue that the economy has moulded the laws and policies of all industrial nations and put a deep impress on the ethical and religious ideas of the modern world.<sup>8</sup>

Have policymakers and many others found, in a diverse and increasingly globalised society, that it was easier to harness self-interest and market mechanisms to pursue policy goals than to address values explicitly? Have we consciously or unconsciously permitted market forces to drive decision-making?

Whether chicken or egg, markets crowded out moral and civic commitments when introducing money into non-market settings. The classic example is an Israeli day-care centre that introduced penalties for late child collection. Once parents could simply pay a penalty, many more left their children later than the centre’s posted hours.<sup>9</sup> Ignoring key aspects of our being has impeded the study of very important relationships.<sup>10</sup> In addition, as the noted economist Raghuram Rajan sees it, economics cares about self-interest and neglects community or social interest.<sup>11</sup>

It can be argued that community and social interests are in government hands, but that government lacks the ability, knowledge or inclination to change the economic system. Indeed, as government itself increasingly employs an economic lens to make its own decisions about community and social interests, using cost-benefit analysis, it is difficult to see how the system will change.

This system tends to corral ‘the better angels of our nature’ into philanthropy or charity rather than consider them as an integral part of who we are. Concepts of gratuity, generosity and concern for others do not fit well into prevalent economic models.

### 3.2 THE MARKET

The market exists to match buyers and sellers. It would work as economists model it if each buyer and seller were happy to receive the ‘just price’, discussed in Chapter 2, and if all necessary information were reflected in market prices. However, academic economists acknowledge that this is not the case. The work of George Akerlof in the 1970s and 80s developed the theory of asymmetric information as a plausible explanation for common phenomena that mainstream general equilibrium economics could not account for. In simple terms, the theory proposed that an imbalance of information between buyers and sellers can lead to inefficient outcomes in certain markets.

There are several elements that rig the market. The first is that some market participants are actively working to manipulate their counterparties’ wants through marketing and advertising.

**‘The market exists to match buyers and sellers’**

Second, some actors have more or better information than the market, through legitimate means such as research, or illegitimate ones such as insider information or market manipulation. For example, a seller of a used car will always know more about the quality of the vehicle than the buyer. Third, over time the practice of not dealing at the just price, together with manipulation of wants, permits some market participants to gain overwhelming market power. If several players control a market, this is an oligopoly; if only one does, it is a monopoly.

Last of all, as the market grows and globalises, there are an increasing number of intermediaries between the end buyers and the end sellers. This is a function of specialisation that permits someone to do a specific task more efficiently than a wide range of tasks. Henry Ford's first Model T assembly line is an early example of this specialisation. Over time, the search for the cheapest provider at each stage of production of a good or service increases the intermediaries between product conception and delivery. This chain of intermediation distances any relationship between ultimate buyer and ultimate seller. As these relationships are divided and broken up, so too is the natural human instinct to behave well with another human being. The more distant these relationships by location, class and affiliation, the more difficult it becomes to maintain norms of behaviour. The remainder of this section will explore each of these concepts – manipulation, information, power and intermediation – in more detail.

### *3.2.1 Manipulating wants and needs: a short digression on advertising and social media*

Temptation is as old as the story of Adam and Eve. However, today those who use behavioural manipulation and psychology to encourage us to buy things we neither need nor want play the role of the serpent. Ever-increasing wants are critical to an economy whose growth is based almost entirely on consumption. Some goods exist – fancy watches and bags, expensive cars and homes – exclusively to demonstrate status. Daniel Bell calls bourgeois society ‘the institutionalisation of envy’.<sup>12</sup>

Companies advertise to plant their brand in your mind in preparation for the next time you make a purchase. This helps them build overwhelming market power. An ethical *seller* would give a buyer only that information genuinely needed to make a good decision, and no information that misinforms, misleads or misuses their psyche to

encourage specific behaviours. And regardless of promotions and misinformation, an ethical *buyer* would be able to resist temptation. In practice, consumer behaviour demonstrates how difficult this is.

Social media exacerbates this problem with its ability to tailor and target advertising to a user's demographic profile and preferences. Based on what can be learned about a user from their social-media profile, such targeting can not only adapt product information but also play to the user's weaknesses. These same techniques are also used for political advertising, with dangerous results for democracy.

### 3.2.2 *Asymmetric information*

Imperfect distribution of information permits some to benefit at the expense of others. This need not be illegal or 'inside' information. Investors who do good research on a sector, with good contacts, can actually know more about that sector than others, permitting them to make better judgements on it. Companies with the means to learn more about certain technologies or invest more in research will create an advantage by having better knowledge than others. However, overwhelming power, together with asymmetric information, can lead to significant advantages for incumbent players. This is one of the many reasons access to and ownership of data has become such a critical business issue. The impact of this asymmetric information is usually a furthering of inequality.

### 3.2.3 *Overwhelming market power*

In markets that work well, Joseph Schumpeter's concept of 'creative destruction' means that new innovations and technologies lead to new organisations being created, while others fall by the wayside. This can apply not just to products and services but should, in principle, also apply to legal and organisational structures and business models.

However, since Smith's time, economists have recognised the possibility of actors behaving badly, and the need for the state to step in and curb this through laws and regulations. The ability of governments to do so has ebbed and flowed over time as a combined function of popular will and corporate lobbying power. In the USA, some combination of inability and unwillingness has left business free to grow and gain market power uncurbed. In Europe, efforts by the EU to restrain significant market power have met with slightly more success, notably in the area of digital service providers and social media. The tendency towards overwhelming market power leads to political power that can affect regulatory and tax issues within government. Such influence can impact income distribution to an extent that appears unfair to much of the population.

### 3.2.4 *Chain of intermediation*

Capitalism makes it easier for people who would behave ethically with an individual next to them to behave less ethically because of the distance and anonymity of markets. As the premise of Reinhold Niebuhr's *Moral Man and Immoral Society* would suggest, face to face with someone we know, even someone we hardly know, most of us would behave fairly and well.<sup>13</sup> However, when the actors are abstracted, either through distance – a worker in South East Asia making a T-shirt for a teenager in England – or through the screen of limited liability companies, the sense of moral duty is also diminished. Here is an example: in pure financial markets, a person contributes to a pension fund. That investment is looked after by trustees and managed by fund managers, who buy and sell assets by placing orders on a market through traders. By the time the trader buys or sells a security, they have no idea who the ultimate beneficiary may be. The trader neither knows nor cares whether the order they are fulfilling is to pay for someone's pension, a child's education or a yacht. However

well any individual would behave among friends or family, it is often more difficult to behave well absent a recognisable counterparty in front of you.

### 3.3 WORK, LABOUR AND THE PERSON

In the context of equality under God, we need to consider how we treat our fellow humans as ends in themselves and not as instruments. This has serious implications for justice but also for work and for labour law. There is no question that treatment of labour improved dramatically in and after the Victorian era, and that the rise of labour unions went a long way towards equalising bargaining power between employers and employees. However, this has changed dramatically since the 1980s. For all workers, as ‘the organisation of work and production became bureaucratised and individuals were reduced to roles, so ... the norms of the workplace were increasingly at variance with the emphasis on self-exploration and self-gratification’.<sup>14</sup> Firms who used to have an investment in the training of white-collar workers now hire and fire them as fast as blue-collar workers, but they have fewer support networks on which to fall back. In addition, responsibility for benefits shifted to employees, notably with defined-contribution pensions, making staff less secure financially.

The diminished importance of labour unions and the growth in the gig economy and ghost work has again begun to eat away at contracts originally intended to be mutually beneficial.<sup>15</sup> Categories like temporary and independent contractors, as well as the outsourcing of large swathes of the workforce in fields as diverse as human resources, information technology, cleaning and security, put divisions between companies and the workers who provide them with labour. Gig-economy platforms widen these divisions. Without the need to manage people face to face, the relationship between a company and its workers ceases to be a human relationship at all.<sup>16</sup>

The effective coercion due to unequal power, from labour bargaining to non-compete and non-disclosure agreements, means that those who are relatively powerless and in need of work have no choice but to accept contracts offered. A free market is hardly free if it offers no practical alternative,<sup>17</sup> leading to unjust contracts that do not provide equivalent benefits to both parties.

From a biblical perspective, God intended from the beginning for humans to work, putting them in the Garden of Eden ‘to till it and keep it’ (Gen. 2.15). By work and vocation, humans express their creativity – an inherent part of what it is to be human, a co-creator with God in continuing to sustain this world. As Pope John Paul II pointed out in his 1981 encyclical *Laborem exercens*, work is an expression of human participation in God’s creative work.<sup>18</sup> This is why unemployment is so soul-destroying. Today, by reducing labour to an anonymous, precarious, powerless state, we are doing nothing less than diminishing the value of the human.

### 3.4 EXTERNALITIES

Externalities are the consequences of industrial or commercial activity that affect others without this being reflected in market prices. These have become much more widespread than economists originally imagined, and range from issues such as the breakdown of community to industrial-scale pollution, resource depletion and climate change. They often affect what are considered ‘public goods’. As people have woken up to environmental dangers and climate-change reality, increasing attention is being paid to how to remedy the issue of externalities with efforts such as carbon pricing. For Christians who recognise the call to be stewards of the earth, consideration of the treatment of the environment in which we live as an afterthought, or consequence of economic activity, rather than a core responsibility, reverses our priorities. The former Archbishop of Canterbury speaks to this issue eloquently:

[O]ur salvation is the restoration of a broken relationship with this whole created order, through the death and resurrection of Jesus Christ and the establishing by the power of his Spirit a community in which mutual service and attention are the basic elements through which the human world becomes transparent to its maker.<sup>19</sup>

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## CHAPTER 4

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### A NEW ROAD MAP?

**‘We are faced with the problem of reinserting values into our economic thinking’**

The philosopher A. D. Lindsay wrote in the 1930s: ‘Were Christianity really a way of life, it would show itself in our methods of production and consumption as well as in anything else.’<sup>1</sup> Any

science or social science that presumes it can absent itself from moral constraints or value judgements is, almost by definition, flawed. In biological science, huge amounts of time are spent on medical ethics to think about how developments could or should be used. Both artificial intelligence (AI) and data science are currently confronted with the problems of not addressing ethical issues earlier in their development. As Stephen Jay Gould wrote: ‘when each [science and theology] understands the powers and the limitations of its purpose and methods, not only is no clash necessary, but the two can inform and strengthen each other.’<sup>2</sup> Traditionally, economists have argued that politics and government are responsible for determining the ethics of distribution if not production. On the contrary: economics is wrong to absolve itself of its own professional responsibility. Amartya Sen argues that: ‘Economics ... can be made more productive by paying greater and more explicit attention to the ethical considerations that shape human behaviour and judgement.’<sup>3</sup>

We are faced with the problem of reinserting values into our economic thinking and into the wider economic workings of society. This chapter looks at some possible ways to do that. In particular, it considers issues that can be addressed at an individual level; that is, how Christians can and are living their values to grapple with the changes needed. It looks at adaptations that need to occur at a societal level. In addition, the chapter makes some specific proposals about

changes to the current way our economy is organised, and concludes with some heuristics, or simple questions, to test the actions we take to see if they support the creation of an economic society reflective of our values.

First, it is worth remembering why changes are warranted:

- If we seek **equality under God** then we must call for equality of opportunity and treatment as well as fairness. Market choices are not free choices if some are desperately poor or lack the ability to bargain on fair terms.<sup>4</sup>
- Stemming from this, **justice** in all senses of the term must be our objective. As Walter Rauschenbusch put it, a ‘fundamental step toward Christianising the social order, therefore, is the establishment of social justice by the abolition of unjust privilege’.<sup>5</sup> Property rights must extend to social goods, which protect humans in sickness and age, and ensure their ability to contribute to society.<sup>6</sup>
- Rowan Williams emphasises **mutuality**. For the thriving of all humanity, ‘each person is both needy and needed, both dependent on others and endowed with gifts for others.’<sup>7</sup>
- All these things are needed for human thriving. In addition, a sense of **vocation** and **purpose** is essential. The organisation of all workers in systematic and friendly cooperation creates a natural basis for Christian fraternity.<sup>8</sup>
- Last of all, the Christian concept of **stewardship** is key. Ignoring what economists term externalities and deem beyond their scope – notably the wastage of natural resources and the destruction of our planet

through overconsumption and underconservation – is inimical to the Bible’s instruction towards stewardship of the earth (Gen. 2.15).

#### 4.1 WHAT CAN BE DONE?

At the individual level, in spite of the fact that the system pushes against us and tries to change our values towards more consumption and greater use of resources, Christians, and indeed all people with similar values, continually need to fight to preserve those values and shift the system instead. As Lindsay wrote in the 1930s, ‘as Christians we have to prepare to be better than the system’ and not to succumb to its temptations.<sup>9</sup> This has several implications.

The most obvious action is to live our lives in accordance with our beliefs and values. This applies in the economic sphere as it does in every other walk of life. Living this way affects how we shop and consume, how we manage our investments and how we treat others, including how we behave at work. Indeed, to treat people as we wish to be treated applies to transactions, contracts, employment; that is, to all realms of endeavour.

Capitalism’s underlying assumption will tend to push us towards maximising consumption or income, but not all of us choose to do so. Many people put family, friends, leisure or service to others farther up their preferences. The current pandemic has begun to demonstrate what is essential and worth valuing and what is superficial. But a consumption-driven economy has shifted our values so as to think that people who choose to consume less are ‘opting out’. It is time to think of them as opting *in* for something more in line with the virtues Christians are called to cultivate. We should also rethink a system that prioritises consumption. This is not only in the interest of re-emphasising the essential in life but may also be a partial solution to our wasteful use of the earth’s bounty.

Shopping and consuming require us to consider consuming only what we need as well as the sourcing and impact of our purchases. Our choices have consequences. Do we continue to choose the convenience of Amazon delivery services at the expense of the demise of our high street retailers who pay local rates? Do we consider the low wages paid to Amazon's warehouse pickers and its use of gig labour for deliveries when we press 'Add to basket'? Do we buy products or services that may be made or delivered with slave labour? Do we buy from those who refuse to pay their employees a living wage or to contribute to society through the paying of a fair amount of tax?

Even if we try to consider these issues in our purchasing, it can be difficult to get the information required to make decisions, given the complexity of corporate reporting and supply chains. Labelling systems like Fairtrade and Dolphin Safe Tuna are helpful, but are also sometimes themselves misleading, especially around the meaning of 'organic' and sourcing of products. Not only do consumers need to inform themselves, they need to work together to ensure producers get the message that people want and need that information in order to purchase their products.

For those with the means to invest, living one's values means ensuring contracts within our responsibility are written so that their benefits are equitably shared, whether they are for purchase or sale, employment or services rendered. Taking unfair advantage in such contracts, or in investments, is not how we would wish to be treated. Specifically on asset management, this behaviour means investing capital neither in companies that do not take their stewardship and employment responsibilities seriously, nor in those that engage in activities perceived as unethical. As an example, some Christians, including within the Church of England's own investment policy, would eschew gambling and tobacco companies or arms manufacturers.

**‘Good behaviour  
is not always easy,  
particularly at work’**

There are economic models that incorporate charity, community and gift-exchange as integral to economic activity. It is possible that such models could also find a

way to incorporate unpaid volunteer and care work. The capitalist interpretation of macroeconomics, so focused on Gross Domestic Product, tends to categorise charity as philanthropy and ignore both the voluntary sector and unpaid labour. As such, it implicitly attributes greater value to paid work and to products that are paid for. To make charity, community and the gift-exchange economy fundamental to our economic actions would not only go a long way towards rebalancing many of the current extremes in economic – or more correctly, capitalist – thinking and behaviour, it would also give a more accurate picture of the value any country produces.

Christians, and many others who live their beliefs, often give a proportion of what they have to charities and causes that align with the world they wish to bring about. This is one way to try to correct some of our current economic system’s inequalities. Another would be to try to change the system so that it better aligns with our beliefs.

Good behaviour is not always easy, particularly at work. People who work for large employers are often told to implement policies that run counter to their individual values or beliefs, and may not feel sufficiently senior or empowered to raise objections. Over the long term, the employee must consider whether continuing to work for such a company is the right thing to do; and yet those with families to feed and mortgages to pay can find such decisions wrenching. Increasingly, particularly in Silicon Valley, employees are raising their voices against employer policies with which they do not agree.<sup>10</sup>

At the individual level, how we treat each other at work and as customers can be a first step. In finance, some talk of the Granny rule: would I sell this product to my grandmother? If not, should I

sell it to anyone? Another simple rule is whether we can, on returning home at end of day, be proud to tell our family what we did at work. Ideally, people in work, from entry level to chief executive, should be able to answer ‘yes’ to these two basic questions.

The current pandemic has at least two lessons to teach us about the valuing of work and our fellow humans. First, many people have responded to imposed isolation with simple acts of kindness: leaving a food parcel at a shut-in’s door, or the massive response to the National Health Service’s call for volunteers. Second, the crisis has also shown where real value lies in the workforce: suddenly those workers we traditionally value the least in terms of pay have become the most essential – care workers, refuse collectors, delivery people and cleaners, among others. Perhaps it took such a crisis to understand what it really means to be human. In the future, we need to consider how the way we value this work, and how we value it in monetary terms, can be brought into better harmony.

Simple acts of kindness in our daily lives, whether at work or elsewhere, encourage the recipient to behave similarly towards others, even without explicit reciprocity. Such kindness creates a virtuous circle of behaviour if practised regularly. It creates good will, not in the accounting sense but in the traditional. Such good will builds trust, and trust is the foundation of good relationships, both business and personal. It is also what is lacking in many commercial relationships.<sup>11</sup> As in Pope Benedict XVI’s *Caritas in veritate*, it follows that ‘in commercial relationships the *principle of gratuitousness* and the logic of gift as an expression of fraternity can and must *find their place within normal economic activity*.’<sup>12</sup> While this will be more difficult at the corporate level, it is easy to begin at the levels of the individual within a business and behaviours towards our fellow employees.

There is a significant cost to not living in accordance with our values in every aspect of our life. First, if we are not our authentic selves at work, a mental dissonance that is difficult to manage can result. Over

time this can create serious mental-health strains that have a direct business cost in time lost to ill health. Second, there occurs a general loosening of the sense of personal responsibility for what happens in our economic system.<sup>13</sup> Whether in our economic or our political lives, if individuals believe they are incapable of effecting change, any hope of substantive improvement is lost.

To accept responsibility for the web of economic relations we have created is fundamental. To call out where it is flawed, unethical or amoral is part of our prophetic role as Christians. To attempt to be our best in a flawed economic environment is only a partial solution. In addition to living in accordance with our values, we should also be trying to imagine a new economic system that actively encourages us to be our best selves and to erase some of the worst practices of the current capitalist system. For those who believe that a Christian's job is to take part in the creation of the kingdom of Heaven on earth, we need to take responsibility for changing the system.

## 4.2 CHANGE AT THE SOCIETAL LEVEL

Harvey Cox has written: 'The market system is not part of nature. We as human beings constructed it, and we can renovate, dismantle, or transform it if we want to.'<sup>14</sup> Earlier theologians such as Walter Rauschenbusch felt that the quest for economic justice was a moral necessity predicated on a need for Christians both to model the precepts of just relationships and push for sweeping socioeconomic reform. However, Reinhold Niebuhr claimed that 'persons needed more than powerful moral convictions to change a nation's collective economic behaviour.'<sup>15</sup>

Before any such sweeping change, we need to be brave enough to have a conversation about what kind of society we wish to live in. Do we want marginal change or wholesale transformation? Capitalism need not result in the extreme outcomes that exist in the USA, or even

in the UK: in much of continental Europe and Scandinavia, while still being capitalist societies, income distribution – as identified by the Gini coefficient – is considerably more equal. It may be possible to address the excesses of power and inequality we have seen since the 1980s from within the existing economic system. However, we need to mobilise the will and the leadership both to ask the questions and achieve change where warranted.

**‘None of us can  
be well unless  
we all are well’**

Such change also involves convincing the most powerful and privileged agents in society that transformation is worthwhile, both for a greater common good and for their own benefit. Perhaps the global pandemic will teach everyone that none of us can be well unless we all are well; that none of us can thrive unless society as a whole thrives.

In order to accomplish this level of transformation, we need both the levers of change and the incentives to begin to create an economic society that works for all of us. First, the levers are places within the economic and political systems where actions are most effective and energy most efficiently expended.<sup>16</sup> Second, though extremely difficult, consideration of incentives – in both senses of the word – is vital. Incentives enable the beneficiaries of the current system to understand why change is in their interest – they may need incentives to collaborate. At the same time, any rules create incentives, in the way a tax may create an incentive to comply or change behaviour so as to avoid it. In an ideal world, incentives exist to work and collaborate, to be productive and inventive. They help people achieve the lives they seek, and also to reflect their moral values and judgements about what is good, worthy and fair.<sup>17</sup> Where incentives create skewed outcomes or encouragement to evade rules and regulations, they need to change. Rowan Williams reminds us that we need to concern ourselves with what behaviour is rewarded.<sup>18</sup>

Currently, in academic policy economics, much of what is investigated is about incentives and how they affect outcomes. Any incentives must also be capable of change. Societies change, and second-order effects mean that well-constructed incentives may work less well over time. Reviewing whether they continue to achieve their purpose on a regular basis helps limit their becoming distorted or ignored.

Behavioural economics ought to be extremely useful in helping to think through how to create incentives for positive behaviours at all levels. It might even be possible that instead of the economic system changing our values in a negative way, we might gradually devise adaptations to it that could change them positively.

What kind of societal changes are needed? These can be grouped around: changes to the operation of business, to labour practice, and addressing systems fragility. Specific recommendations appear in section 4.3, but the concepts are introduced below.

It is worth underlining that the excesses of capitalism are being highlighted not just from expected sources on the Left. There are new voices among those focusing on a need to change the system to combat climate change, but also more traditional ones, such as the Chairman and CEO of JPMorgan Chase, Jamie Dimon, and the US Business Roundtable, as well as activist investors.

We need to rethink the concentration of business and its impact on power. We can no longer disassociate economics and politics as earlier economists had suggested, arguing that it was for politics and government to determine distribution. Today, as much as or more than ever, economic power results in political influence. This can be brought about directly through lobbying or even bribery, affecting competition, regulation and taxation. It can also be brought about indirectly, via tax deals for corporate relocations to encourage employment. The reintegration of the study of politics and economics back into the original political economy might help to achieve a more integrated framework.

The transition to a stakeholder economy would change the structure of both business and labour. It would eliminate shareholder primacy and give employees, customers and the local economy consideration in business decisions. Cox calls for ‘a stakeholder economy, where ... [o]rdinary people and local communities would be directly involved in not just political decisions but all the decisions that affect their lives, including economic ones’.<sup>19</sup> This starts with re-establishing a clear purpose for each business, so that profit is an ancillary outcome of fulfilling that purpose and not the purpose itself. Much has already been written about both stakeholders and purpose. Investors and customers need to be holding businesses to account on both these issues.

Last, the pandemic has taught us how fragile our systems, both man-made and natural, have become. By tightening supply chains in the pursuit of cost reduction in both the public and private sectors, our economic system has been shown to be lacking in the operational resilience necessary to cope with the unforeseen. One of the lessons learned is likely to be the need for some redundancy – in the sense of excess or stress capacity – in almost every aspect of our economy. By burdening our environment beyond a sustainable level, we have limited its resilience to disease and climate change. While the former is easier to repair than the latter, systems will need to be redesigned to give priority to both these issues in the future, if we are all to thrive.

There is a closing paradox that needs resolution. Decentralisation and multilateralism appear in conflict but need to be managed together. Decentralisation would localise more power in communities and nation states, would help consumers know the policies and practices of their counterparties, and encourage a sense of community, common purpose and care for the disadvantaged. However, issues such as the treatment of global corporations, taxation, the environment and epidemiology increasingly cross borders and can only be resolved with greater multilateralism. Catholic Social Teaching recommends the use

of the principle of subsidiarity, whereby each issue is handled at the most local level possible. This fits well with the concept of looking for where the most effective levers of change exist.

Each of us is a catalyst for the change we want to see in the world, through our words and actions, our charitable donations, but also through new and existing organisations of like-minded people. Organisations abound in the UK, working on change and causes of all sorts. Among Christian organisations alone, Christian Aid, Tearfund, CUF and more local groups already exist. So now let us look at the specifics of some of these possible systemic changes.

#### A SHORT DIVERSION ON ACADEMIC ECONOMICS (II)

Since the fall of communism, capitalism has become the only workable form of economic organisation we have. This demonstrates a real lack of creative thinking on the part of economists and all of us. We have known major theoretical and paradigmatic shifts in economics before: Smith, Marxism, Keynesian fiscal policy, Bretton Woods, monetary policy and now neoliberal economics. In the more than ten years since the global financial crisis, there has been little by way of new economic theory. There is no reason there cannot be another paradigm shift, one that puts relations and justice at its heart.

Experiments with different models of thinking and organisation of the study of economics are warranted in order to revivify economic thinking. For example:

- Encourage interdisciplinary work that leans on social sciences – including psychology, anthropology and sociology – to better align assumptions with actual human behaviour.

- Reintegrate economics with philosophy, ethics and theology.

Both of the above changes would improve the understanding of human decision-making and trade-offs, in order to model what look more like real-world motivations and behaviours.

- Similarly, return to real political economy instead of the current practice of studying philosophy, politics and economics separately without integrating them.
- Introduce an obligatory ethics course at each level of the study of economics, modelled on what is currently required at many business schools.

### 4.3 CONCRETE RECOMMENDATIONS FOR CHANGE

First and foremost, we need to encourage innovation and creativity in the reimagining of economic systems and economic theory. Humans invented capitalism; human ingenuity can invent something else. New efforts at left-wing economic policy began as a reaction to the excesses of neoliberal capitalism. However, since the global financial crisis there have been many efforts at new theory from all along the political spectrum, such as:

- doughnut economics, which measures the performance of an economy by the extent to which people's needs are met without overshooting earth's ecological ceiling;
- work from the Institute of New Economic Thinking;
- new ways of teaching economics using real-life examples (though nothing really new has broken through yet).<sup>20</sup>

Seven years after the start of the Great Depression, John Maynard Keynes had already published his *General Theory of Employment, Interest and Money*. Perhaps, in our time, the combination of the global financial crisis, the pandemic and global warming will increase the urgency around the reimagining that needs to take place.

Second, we need to consider a variety of elements around the future of the corporation, including:

- innovation in the structure of companies;
- the optimal way to raise capital, and whether the public limited company remains fit for purpose;
- curbs to unhealthy concentration of power (i.e. power that results in unequal contracts).

Innovation in the structure of companies could lead to new developments that encourage human thriving and discourage selfish decision-making. Foundation-owned companies, such as Bertelsmann and John Lewis, represent a means of putting longer-term and/or employee interests at the centre of a company's priorities.<sup>21</sup> The employee ownership trust (EOT) is a model that permits all employees to share in the results of the business. The cooperative model is a membership model: customers and employees can join, largely in an effort to reduce costs of goods and services as well as distribute the earnings to all members. It has diminished in popularity since the privatisation of most building societies and mutual insurers in the UK, but remains in some smaller-scale operations. The Beneficial corporation – or B Corp – movement, originated in the USA by such companies as Patagonia, is growing in the UK. This model puts purpose at the heart of the business and makes it impossible for shareholders to challenge it. Currently there are 2,500 B Corps in more than 50 countries.<sup>22</sup> More

**‘We need to encourage innovation and creativity in the reimagining of economic systems and economic theory’**

generally, social enterprises are being created along a broad spectrum of products and services, and strive to serve business and social goals simultaneously.

Innovation is taking place that needs to be recognised, publicised and encouraged when it aligns with values, and further experimentation should be welcomed.

At the same time, we need to ask why the stock market has been so little used in recent years to **raise capital**, and whether the **public limited company** is still fit for purpose. Many companies are choosing to go private to limit public reporting and scrutiny of their operations, though some opt out because of the perceived short-termism of investors and investment managers. Others are using debt to replace equity for funding.

**‘A radical step would be to consider ending or limiting the concept of the limited liability corporation’**

A radical step would be to consider ending or limiting the concept of the limited liability corporation, whether public or private. Limited liability was a gift given by law in return for the utility of the corporation to society, and to enable corporations to grow in accordance with society’s needs. That ‘gift’ remains in the hands of government. There are currently at least two different proposals that recommend a change in concept. The first is to ensure that companies granted limited liability have a clear and defined public purpose.<sup>23</sup> The second is a system whereby the liability of management and insiders is unlimited while that of outsiders is limited, effectively creating a two-tier equity system.<sup>24</sup> Both warrant serious consideration.

The latter system would discourage management from asset stripping and increasing debt loads as a means of increasing short-term profits, since they could be held responsible for the liabilities. This would make the company less susceptible to leverage causing redundancies

and bankruptcy in adverse economic conditions. To what extent it would lower management's risk appetite would have to be tested. Colin Mayer calls for distinguishing fair from fake profits, which suggests limiting the ability to manage higher short-term profits at the expense of longer-term thriving.<sup>25</sup>

Another means of achieving the same end would be to stop the increasing reliance on debt finance for companies by ending its tax-deductibility. Such finance has driven the average rating of global corporate debt below investment grade for the first time in the 38 years for which Standard & Poor's has published the data.<sup>26</sup> A less extreme option would be to limit deductibility of interest expense above a certain leverage threshold.

If we are to reconsider what constitutes social justice and meeting basic human needs, it will be important to review the concentration of **power** among businesses along at least two lines. The first would be a redefinition of both responsibilities and returns for those companies that effectively act as public utilities. In addition to traditional water, waste, gas and electricity, this would include public transport and the possible addition of other industries – such as basic banking services, internet and telephony – to utility status. Such a move would enable mandates to include environmental responsibilities and would ensure that regulation of investment, rate changes, profits and profit distribution were treated consistently, and that best practice in one industry could be adopted elsewhere where relevant.

Second, competition and monopoly law in most developed countries need to be adapted to the modern age. Traditionally about market power and monopoly pricing, most laws struggle to consider power and concentration in new technologies in which consumer data and advertising effectively become the product. Moreover, enforcement of existing law needs to be strengthened. Together, these moves would make it more difficult to accumulate the market power that leads to unjust contracts and unequal political power.

Not all change needs to occur within and among businesses themselves. Law and regulation also contribute to many of the current inequities in capitalism. We live in an interconnected, interdependent world but we govern by nation state. This permits cross-border businesses to take advantage of tax, employment, environmental and competition law by jurisdiction shopping. These companies use tax legislation around the world to avoid tax, and put governments in competition to provide the least constraining operational environments to encourage company location in their jurisdiction. They put production facilities – either manufacturing or service centres – where total costs are lowest, where total employment costs are defined to include health and safety, payments towards social safety nets and pensions and redundancy costs. This effectively encourages other countries to reduce such protections in an attempt to attract employment, rather than build them up. It also works in direct opposition to an effort to improve our stewardship of the planet when companies search for locations with the most lax pollution and waste-disposal standards. These actions also destabilise communities when large employers readily move locations in search of competitive advantage.

Behaviour of individuals towards their financial investments was discussed in section 4.1 above, but we have yet to consider the behaviour of investment and asset managers in affecting the decisions of public companies, and the inability of small shareholders – and ultimate beneficiaries of pension funds – to influence outcomes. For many years, the traditional objective of investment managers was to help end-investors meet their return objectives while considering their risk appetite. In the UK, these investment managers often vote the shares they manage on behalf of the beneficial owners. Until fairly recently, these votes were based largely on whether decisions were perceived to have a positive impact on shareholder returns in the long or short term. Increasingly, activist shareholders and managers are demanding that investment managers vote for or against certain company resolutions in accordance with sustainable business and

environmental practice, good governance or what are often known as environmental, social and governance (ESG) criteria. This is the beginning of a move towards investing in accordance with values – something, many would argue, that should actually result in more stable long-term returns than a pursuit of short-term profitability. Where it moves the workings of business towards the kind of values by which we wish to live, it should be watched with interest and support.

Having looked briefly at the organisation and behaviour of business, the other key actor is the worker, along with labour practices; specifically, both how employees are treated and how we live and work in community. Stakeholder capitalism, discussed above, is also relevant here:

Businesses cannot contribute to their full potential, to a good society and human flourishing, if they have no regard for the society in which they operate, and if individuals in business have regard only for themselves. Post-industrial society is a communal society where decisions are collective. Man must interact.<sup>27</sup>

There is also the reality that Christianity has a holistic view of society: ‘Christians believe in the importance of communities and that individuals cannot flourish without strong social bonds.’<sup>28</sup>

This wider view has been recognised in British company law for some time, with the addition of a written annual report on the consideration of stakeholders effective as of the beginning of 2020.<sup>29</sup> It is too early to know how listed companies, shareholders and the courts will react to this change, and there are myriad issues around the implementation of stakeholder capitalism. Companies should be trying to balance traditional efficiency and profit maximisation goals alongside objectives that further community, employee well-being and long-term sustainability. There is an important argument that steps

in this direction may even have far-reaching, positive effects on our democracy. Those who argue for a value-based framework for our economy are likely to find such trade-offs attractive.

There is an opportunity to rethink work and the human in an age of AI. Currently, the sides are drawn up between those who consider new working techniques in terms of disruption, displacement and increased uncertainty, and those who believe it may also be possible to use new technology to reduce drudgery and improve the quality of work and human interaction.

**‘Economic security is what frees us’**

If we are to encourage community, cutting through the atomisation of people and their jobs will help. People with different skills and different levels all working together means a better understanding of relative value and contribution. This is true not only when comparing pay but when work allows collaboration and idea-sharing across specialisms, and does not translate every job to a pure market value for that skill, almost as if automated or robotic.

Job security and some certainty in work life should also be an aim:

If our captains of industry are so certain that certainty is necessary for industry, then it surely must be true that their customer base, the American middle class, needs some of that certainty as well. For without the certainty that they will remain in the middle class, middle-class Americans simply cannot fulfil their crucial economic role.<sup>30</sup>

Economic security is what frees us from the fear that one job loss, one illness – one economic downturn amid a business cycle guaranteed to produce economic downturns – could cost us our home, car, family and social status. It is what grants us permission to invest in ourselves and our children, and to purchase the non-subsistence goods and experiences that make our lives healthier, happier and more fulfilling.

It gives us the confidence to live our lives with the realistic expectation of a more prosperous and stable economic future, and to take the entrepreneurial risks that are the lifeblood of a vibrant market economy. A secure middle class is the cause of growth, not its effect; in fact, our economy cannot reach its full potential without it. And a middle class that lives in constant fear of falling out of the middle class is not truly middle class at all.<sup>31</sup>

Pay and working conditions matter at both ends of the scale if we are to work towards improved equality. It is ironic that the champion for a maximum of a 20:1 ratio between the highest and lowest paid within a company was John Pierpont Morgan, among the richest and biggest US robber barons. That ratio has now risen to between 300 and 400:1 in many companies. There needs to be a return to something more reasonable, not by outsourcing cheap labour but by raising the bottom and lowering the top. The current pandemic may give us a test case for universal basic income (UBI) in some countries, as governments step in to protect a level of income for unemployed citizens. Some will argue that UBI diminishes incentives to work, others that high salaries are needed to motivate executives. If we are all equal, it is difficult to understand how our reaction to incentives can be so different at the opposite ends of the employment spectrum.

#### 4.4 THE CHALLENGE OF PLURALISM

The clearest stumbling block to initiating any or all of these proposed changes is how we find a common ground of values across people of all faiths and none to deal with the reality that not everyone who interacts in economic society is Christian or of the Judeo-Christian tradition. We live in a multireligious, multicultural society, with people of many faiths and no faith, and varying value systems:

The challenge of our time and the project of global ethics entails forging consensus among multiple forms of ideological, ethnic, and especially religious pluralism – pluralism within *and* among religious traditions as well as within *and* among varieties of secularism.<sup>32</sup>

Cox would argue that ‘We need not confute or seek to invalidate the values of other faiths in order to be faithful in our own.’<sup>33</sup> But to the extent each of us is an actor in economic society, bringing our own values and beliefs to our economic activities, we must chart a course of justice, courage, temperance and consideration for others that results in just actions as defined not only by Christians but by everyone in society.

Many faiths have similar concerns, as evidenced by cross-faith efforts to reconsider finance, including the Shared Values Initiative between the Church of Scotland and the Islamic Finance Council UK. There are numerous secular initiatives to rethink both academic economics and investor behaviour. Among the latter are the significant efforts of the International Corporate Governance Network and the European Corporate Governance Institute. Many professional bodies include codes of conduct for their members. The overlapping networks created by these various organisations strengthen and reinforce good behaviours while rooting out bad ones. Perhaps we might also dare to hope that with their common purpose, they might even lead to greater understanding among faiths and among all people.

#### 4.5 SOME SIMPLE TESTS

What remains to consider is how we test, against our values, what we do as a society in economic relations. First, utilitarians have long used the concept of the greatest good as a measure, but sadly this has left

behind huge swathes of people, disadvantaged through means, ability or opportunity. Perhaps we need to look at each of our actions and consider their impact on the least among us. If we have learned in this pandemic that none of us can be well unless all of us are well, perhaps we now need to consider whether any of us can thrive unless all of us can thrive. Simply, ‘Who benefits?’ must be considered whenever systemic change is considered.

Second, we may need to redefine prosperity as a world in which everyone has enough. In this instance, enough is defined not only in terms of enough to eat and a roof over one’s head but also includes valued work to do, access to education, as well as a sense of belonging, including someone to care for and someone to care for us. Daniel Bell argued that ‘religion can restore ... the continuity of generations, returning us to the existential predicaments which are the ground of humility and care for others ... a life lived on the knife-edge of finitude and freedom.’<sup>34</sup>

A last test of success is simply whether the economy we create reflects and gives expression to our values. It should no longer be ‘the place that we leave them behind’.<sup>35</sup>

## NOTES TO CHAPTER 4

- 1 A. D. Lindsay, *Christianity and Economics* (London: Macmillan & Co., 1933), p. 128.
- 2 Harvey Cox, *The Market as God* (Cambridge, MA: Harvard University Press, 2016), p. 242, quoting Stephen Jay Gould in *Rocks of Ages: Science and Religion in the Fullness of Life*, Kindle <http://amzn.eu/gjbbOWn>.
- 3 Amartya Sen, *On Ethics and Economics* (Oxford: Blackwell, 1988), p. 9. For more on this subject, see the box ‘A short diversion on academic economics (II)’ in this chapter.
- 4 Timothy Besley, ‘What’s the Good of the Market? An Essay on Michael Sandel’s “What Money Can’t Buy”’, *Journal of Economic Literature* 51:2 (June 2013), p. 112; <https://www.jstor.org/stable/23644751> (accessed 01.05.20).

- 5 Quoted in Christopher H. Evans, 'Ties That Bind: Walter Rauschenbusch, Reinhold Niebuhr, and the Quest for Economic Justice', *Soundings: An Interdisciplinary Journal* 95:4 (2012), pp. 351–69; <https://www.jstor.org/stable/10.5325/soundings.95.4.0351> (accessed 01.05.20).
- 6 Janet R. Nelson, 'Walter Rauschenbusch and the Social Gospel: A Hopeful Theology for the Twenty-First Century Economy', *CrossCurrents* 59:4 (December 2009), p. 449; <https://www.jstor.org/stable/24461589> (accessed 31.01.20).
- 7 Rowan Williams, *Faith in the Public Square* (London: Bloomsbury, 2015), p. 228.
- 8 Nelson, 'Walter Rauschenbusch and the Social Gospel', p. 449.
- 9 Lindsay, *Christianity and Economics*, p. 92.
- 10 For more on this subject, see Albert O. Hirschman, *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States* (Cambridge MA: Harvard University Press, 1970).
- 11 Colin Mayer, *Prosperity: Better Business makes the Greater Good* (Oxford: Oxford University Press, 2018), p. 58, argues this also at the corporate level, but I am neither so ambitious nor so optimistic.
- 12 Pope Benedict XVI, *Caritas in veritate* (§ 36); [http://w2.vatican.va/content/benedict-xvi/en/encyclicals/documents/hf\\_ben-xvi\\_enc\\_20090629\\_caritas-in-veritate.html](http://w2.vatican.va/content/benedict-xvi/en/encyclicals/documents/hf_ben-xvi_enc_20090629_caritas-in-veritate.html) (accessed 22.07.19); emphasis in original.
- 13 Lindsay, *Christianity and Economics*, p. 64.
- 14 Cox, *Market as God*, p. 256; Kindle <http://amzn.eu/dIswFBz>.
- 15 Evans, 'Ties That Bind', p. 358.
- 16 Donella Meadows, 'Leverage Points: Places to Intervene in a System'; <http://donellameadows.org/archives/leverage-points-places-to-intervene-in-a-system> (accessed 28.04.20).
- 17 Robert B. Reich, *Saving Capitalism: For the Many, Not the Few* (New York: Knopf, 2015), p. 163.
- 18 Williams, *Faith in the Public Square*, p. 232.
- 19 Cox, *Market as God*, p. 269; Kindle <http://amzn.eu/8I90feq>.
- 20 Kate Raworth, *Doughnut Economics* (London: Random House Business, 2017); Institute for New Economic Thinking (<https://www.ineteconomics.org> (accessed 22.01.21)); CoreEcon, an open platform to change teaching in economics (<https://www.core-econ.org> (accessed 22.01.21)) – among others.
- 21 Mayer, *Prosperity*, pp. 40–2.
- 22 <https://bcorporation.uk/about-b-corps> (accessed 09.04.20).
- 23 Mayer, *Prosperity*, p. 4.
- 24 Charles A. Goodhart and Rosa M. Lastra, 'Equity Finance: Matching Liability to Power', CEPR Discussion Paper 13494, January 2019; [http://eprints.lse.ac.uk/100058/1/Goodhart\\_CEPR\\_DP13494.pdf](http://eprints.lse.ac.uk/100058/1/Goodhart_CEPR_DP13494.pdf) (accessed 13.04.20).

- 25 Mayer, *Prosperity*, p. 20.
- 26 Diane Vazza, 'Standard & Poor's 2018 Annual Global Corporate Default and Rating Transition Study', 9 April 2019; <https://www.spratings.com/documents/20184/774196/2018AnnualGlobalCorporateDefaultAndRatingTransitionStudy.pdf> (accessed 09.04.20). Investment grade in this context means that an investor's principal is not at risk, where below investment grade, or speculative grade, suggests an investor could lose their principal. For this acceptance of higher risk, investors are paid higher interest rates on speculative-grade debt.
- 27 Daniel Bell, *The Cultural Contradictions of Capitalism* (London: Heinemann, 1976), pp. 148–9.
- 28 Church of England, Ethical Investment Advisory Group, *Executive Remuneration*, November 2019, p. 8, para. 4.2; [https://www.churchofengland.org/sites/default/files/2019-11/Final%20EIAG%20paper\\_Exec%20Remuneration\\_Final.pdf](https://www.churchofengland.org/sites/default/files/2019-11/Final%20EIAG%20paper_Exec%20Remuneration_Final.pdf) (accessed 15.04.20).
- 29 Section 172 of the Companies Act of 2006, amended in 2018 and became effective for listed UK companies at the beginning of 2020 through the UK Corporate Governance Code published by the Financial Reporting Council; <http://www.legislation.gov.uk/ukpga/2006/46/section/172> (accessed 01.05.20).
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- 31 Kessler, *Gigged*, p. 183, quoting the labour leader David Rolf and venture capitalist Nick Hanauer in the journal *Democracy*.
- 32 John Carlson, 'Rights versus Right Order: Two Theological Traditions of Justice and their Implications for Christian Ethics and Pluralistic Politics', *Journal of the Society of Christian Ethics* 36:2 (Fall/Winter 2016), pp. 93–5; <https://www.jstor.org/stable/44504839>, pp. 80–1 (accessed 27.01.20); emphasis in original.
- 33 Cox, *Market as God*, p. 167; Kindle <http://amzn.eu/cBib7Si>.
- 34 Bell, *Cultural Contradictions of Capitalism*, p. 30.
- 35 IPPR, *Prosperity and Justice: A Plan for the New Economy* (Cambridge: Polity Press, 2018), p. 32.

## CONCLUSIONS

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### ECONOMICS AND DEMOCRACY

Justice Louis Brandeis, formerly an associate justice of the Supreme Court of the USA, reflected on the relationship of democracy and wealth: ‘We can have a democracy or we can have great wealth in the hands of a few, but we cannot have both.’<sup>1</sup> To the extent that economics has delegated to government the determination of the rules of the economy, notably around distribution and the control of economic power, we need to consider how government reflects its citizens’ views on values, and how the public’s voice can be used to reshape our economy so it reflects those values. The distinction between the free market and government is meaningless insofar as the rules of both are shaped by the way we choose to make those rules or let them work. Any market requires that government make and enforce the rules of the game, from the governance of business to the protection of employees to the size and shape of the social safety net. The way this is done is neither neutral, universal nor permanent, but changes over time with the will of the voters and shifts in economic power.<sup>2</sup>

However, it is difficult to achieve this framework. The effects of macroeconomic policymaking are hard to predict on the basis of relationships observed in highly aggregated historical data. This is known as the Lucas Critique, and was developed in the 1970s. It drove economists towards using microeconomic techniques to evaluate how individuals would respond to policy changes.<sup>3</sup> As economic interactions, both domestically and internationally, have become much more complex, so too does the forecasting of policy effects, leading in no small part to the increasing use of large data sets and computing power for economic policy analysis.

The rules of the free market may have a far greater impact on the economy and society than the size of government alone. Since the arrival of neoliberal economics, policymakers have concentrated too much on the size of government and not on what the citizenry want it to accomplish or how effectively revenues are used. This diverts discussion from how decisions are being made and the influence of business on people's lives.<sup>4</sup> The operation of production, distribution and labour in most sectors of the economy is driven primarily by business. However, the current pandemic has shown that in a democracy, government is there to ensure that all its people are healthy and cared for, and that public health and income support matter hugely to all.

To get this right means making trade-offs between public or common good and private interests, both individual and corporate:

The foundation of any liberal society is the willingness of all groups to compromise private ends for the public interest. The loss of dignity means that interests become so polarised, and passions so inflamed, that terrorism and group fighting ensues, and political anomia prevails; or that every public exchange becomes a cynical deal in which the most powerful segments benefit at the expense of the weak.<sup>5</sup>

A capitalist state or democratic polity that openly uses coercive forces to help one class accumulate capital at the expense of others loses its legitimacy.<sup>6</sup> Taken to its logical extreme, if the middle class and poor continue to receive a declining share of total income, they will lack the purchasing power necessary to keep the economy moving forward. If citizens conclude that the game is rigged against them, the social fabric will start to unravel.<sup>7</sup> As they experience a degraded democracy, particularly one in which they feel their voices are not heard, they begin to lose faith in their ability to effect reform and positive change. This

can lead to people tuning out of politics, declining voter participation, and to increasingly self-centred behaviour. Distressingly, this only gives more effective power to those who already hold and exercise it.

We arrive at what Martin Wolf of the *Financial Times* defines as an ‘unstable rentier capitalism, weakened competition, feeble productivity growth, high inequality and, not coincidentally, degraded democracy’, instead of ‘a dynamic capitalist economy that gives everybody a justified belief that they can share in the benefits’.<sup>8</sup>

Already in the 1920s, William Temple argued that capitalists need to be ‘citizens first and profit seekers afterwards’.<sup>9</sup> The record of the business community on this is mixed. Some use their voice and influence to try and correct iniquities in society and work for the common good. Others see an identity between their role as citizens and advancing their business interests at all costs. The most pernicious effects of this are seen in the USA through campaign finance and lobbying, where the Citizens United cases gave human personhood to corporations for the purpose of political contributions.

Currently we are confronted with serious choices on the environment, intergenerational equity, and whether the consumer-orientated, free-enterprise society continues to produce results acceptable to the public. Those who feel strongly about the values they want to see lived out in the economy need to give voice to this in political circles as well as in their own consumption, investment and business practices.

The current situation is hardly helped by the short-term thinking that prevails in government and most of business. The timing of the electoral cycle and the pursuit of quarterly profits both militate against long-term thinking and planning, which are critical to address issues of climate change and the demographic challenges that face us, let alone concerns about our democracy. As an example, we must question why the primary vehicle for addressing climate change has been through asset-manager activism and not government policy.

Why is the UK government currently considering indirect pension policy regulation to address climate change, rather than direct action? It is a sad day when money is better able to reflect public demand than change enacted through political means.

To rectify these issues solely at the level of the nation state is difficult under the current conditions of global capitalism, whereby the mobility of capital erodes a government's ability

**‘A life built only on self-satisfaction, without the consideration of others, is a poor life’**

to pursue its own objectives. There is a direct contradiction between the global reach of the multinational corporation and increasingly isolationist nation states. If this trend continues, stateless companies will have more power than any nation state and become powers in their own right. Already many have higher turnover than some countries' GDP.

Political action is made more difficult not by what we fear but because of the things that give us pleasure. In both political and economic society, a system built on maximising one's own satisfaction certainly sounds tempting. However, a life built only on self-satisfaction, without the consideration of others, is a poor life. Real gratification comes from serving others and serving a higher purpose than oneself. To bring about a better society, let alone one that tries to build the kingdom of Heaven on earth, ‘will make *greater* demands upon human character’ than this, and cannot be accomplished without much hard graft.<sup>10</sup> We will need to resist the temptation of turning in on ourselves, and of easy or partial solutions, in order to reform capitalism so it better aligns with our values. Only with collaborative and cooperative change can we recognise the limits of resources and the priority of needs – individual and social – over unlimited appetites and wants. Only then can we agree on a conception of equity that gives all persons a sense of fairness and inclusion.<sup>11</sup>

A very first step is for each of us to act justly in our own lives. Walter Rauschenbusch believed that ‘the just actions of all persons evidence the redemptive work of the Kingdom of God.’ The second step is to try to bring about ‘a “cooperative commonwealth” based on the values of compassion, solidarity and justice’,<sup>12</sup> so as to arrive at the perfect compromise where ‘the art of government in fact is the art of so ordering life that self-interest prompts what justice demands’, as Temple so ably argued.<sup>13</sup>

How will we know how we are doing? Might we apply to our democracy similar tests to those used in the last chapter to test our economic system? First, does the outcome of any policy or practice improve the common good and the well-being of the least among us? A simple examination of ‘Who benefits?’ from any policy is a useful test. Second, does the policy contribute to each citizen having enough? And third, do the policy and its result reflect and give expression to our values? For all of us to flourish, both our economic and our political systems must be forums for the working out of our values, not systems that encourage us to worship false gods. This should be our aspiration, and our work on earth should be to try to accomplish it.

## NOTES TO CONCLUSION

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- 2 Robert B. Reich, *Saving Capitalism: For the Many, Not the Few* (New York: Knopf, 2015), p. 153.
- 3 Wikipedia, Lucas Critique; [https://en.wikipedia.org/wiki/Lucas\\_critique](https://en.wikipedia.org/wiki/Lucas_critique) (accessed 22.01.21).
- 4 Reich, *Saving Capitalism*, p. 154.
- 5 Daniel Bell, *The Cultural Contradictions of Capitalism* (London: Heinemann, 1976), p. 245.
- 6 Bell, *Cultural Contradictions of Capitalism*, p. 231.
- 7 Reich, *Saving Capitalism*, pp. 166–7.

- 8 Martin Wolf, 'How to Reform Today's Rigged Capitalism', *Financial Times*, 3 December 2019; <http://on.ft.com/3dhKZ6X> (accessed 01.05.20).
- 9 William Temple, *Essays in Christian Politics and Kindred Subjects* (London: Longmans, Green & Co., 1927), pp. 47–8); <https://ethicsunwrapped.utexas.edu/glossary/justice> (accessed 24.01.20).
- 10 Sir Josiah Stamp, *Motive and Method in a Christian Order* (London: The Epworth Press, 1926), p. 19; emphasis in original.
- 11 Bell, *Cultural Contradictions of Capitalism*, pp. 281–2.
- 12 Janet R. Nelson, 'Walter Rauschenbusch and the Social Gospel: A Hopeful Theology for the Twenty-First Century Economy', *CrossCurrents* 59:4 (December 2009), p. 446; <https://www.jstor.org/stable/24461589> (accessed 31.01.20).
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