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Graafland, Johan J.

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JOHAN J. GRAAFLAND**

Christliche Perspektiven auf den Markt

This paper analyses the economic ethics of three main Christian traditions in Europe: the Roman Catholic tradition, the Evangelical tradition and the Ecumenical tradition. After defining several common and divergent elements of these different Christian traditions, we analyse the shortcomings of the free market operation concerning two common Christian values: the priority of the poor and stewardship of creation. We conclude that, because of these shortcomings, the Christian traditions will only provide conditional support to the free market.

Keywords: Free Market Operation, Christian Economic Ethics, Church Social Teaching, Priority of the Poor, Stewardship

1. Introduction

Today, most countries are participating in a world economy that is governed by market relations. Globalization is not only a process that is stimulated by technological development improving communication and reducing transportation costs, but also a project deliberately stimulated by international governmental organizations such as IMF, the World Bank and WTO. As barriers of trade have fallen across the world, a global economy has emerged for many goods and services. The increased competition has also pushed national economic policies towards more market-aligned institutions and has put welfare states under pressure.

In Christian circles, this development has generated a commonly shared feeling of uneasiness. Some churches have claimed that the worldwide economic system causes accumulation of the wealth of the rich at the expense of the poor and considers this as unfaithfulness to God. A recent example is the *Accra Declaration* (2004) of the General Council of the World Alliance of Reformed Churches (WARC).[1] It rejects the current economic order of global capitalism, because it defies God's covenant by excluding the poor, and because it stimulates a culture of rampant consumerism and competitive

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** Prof. Dr. Johan J. Graafland, Tilburg University, Room D246, Warandelaan 2, P.O. Box 90153, NL-5000 LE Tilburg, The Netherlands, phone:+31-(0)13-4662702, fax:+31-(0)13-4662892, e-mail: J.J.Graafland@uvt.nl, fields of expertise: philosophy of economics, economic and business ethics, corporate social responsibility, faith and economics.

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1 For the declaration text see http://warc.jalb.de/warcajsp/side.jsp?news_id=1157&navi=45.

greed and selfishness. Other churches are less critical about the current worldwide economic order, but still share the feeling of uneasiness with the increase in competition and reduction of organized solidarity.

In this paper, we analyse the economic ethics of three main Christian traditions in Europe – the Roman Catholic tradition, the Evangelical tradition and the Ecumenical tradition – and identify common elements and divergences. In section 3 and 4, we analyse the reconcilability of free market operation with two main and most challenging concerns that are common to all three Christian traditions, namely the priority of the poor and stewardship for the created order. In section 3, we discuss two interpretations of poverty – absolute poverty and relative poverty – and analyse to what extent the free market reduces both. Section 4 analyses the influence of free market operation on the environment and whether the market stimulates temperance of Western consumption. We find that free market operation will diminish absolute poverty, but will increase relative poverty. Furthermore, trends in energy use indicate that the market provides insufficient incentives to protect creation and stimulate the virtue of temperance in order to limit Western consumption. The churches in Europe will therefore remain critical about the benefits of capitalism and rather promote a profile of the market system that secures reasonable equality within and between countries and that sustains the natural environment.

2. Common and Diverging Economic Ethics in Church Documents

There is a considerable diversity of theological positions on the market. On the one hand, radical theologians like Duchrow (1987), Van Leeuwen (1984) and Frans Hinkelammert (Borgman 1997) reject the free market as a system of idolatry. On the other end of the spectrum, theologians like Neuhaus (Atherton 1992), Novak (1982), Griffiths (Atherton 1992) and Beisner (1994) defend the free market from a libertarian position.

2.1 Common Elements in Church Documents

Despite the diversity of theological positions, official church documents show that there is a considerable convergence of underlying economic values and principles. For example, the comparison of the Catholic encyclical *Centesimus Annus*, promulgated by Pope John Paul II in 1991, with the Ecumenical document *Economy as a Matter of Faith* (1992) and the Evangelical document *Oxford Declaration on Christian Faith and Economics* (1990), shows various similarities (Novak/Cross 1994; Hay 1994; Van Drimmelen 1994).[2]

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[2] As far as I know, there is no international document that represents the traditional Calvinist position. Although the Accra Declaration represents the view of the established Reformed Church worldwide, it mainly reflects the position of the ecumenical approaches within these churches (Wisse 2006).

▪ The dignity of every human person as the image of God ▪ Impartiality and justice ▪ Preferential option for the poor ▪ Work as vocation of man, basic right to work ▪ Stewardship in relation to oneself, one's fellow human being and the created order ▪ Ambiguous reality of economic life because of sin

Table 1: Common Elements in Church Documents on Economy

First, all derive from the biblical teachings certain lessons about the dignity of every human person made in the image of God and the liberty inherent in that dignity. Christian ethics respects the individuality of people and stresses their personal responsibility (Höffner 1983).

Another common element of Christian ethics, closely related to the first element, is the high value of justice and impartiality of Christian ethics. There should be no bias or favouritism but an equal application of rules of justice for all people in all relevant situations. This impartiality can be based on the notion that all people are created in the image of God and therefore should be equally respected (Lev. 19:15).

The equality present in the impartiality does, however, not mean that all people are treated alike in all respects. It means that one does not arbitrarily treat one person less favourably than others (Mott 1994). One important element in all main Christian traditions that allow different treatment is the so-called 'preferential option for the poor' (De Santa Ana 1977). It calls us to put justice for the least advantaged at the center of the community of life. The church documents prescribe such a special attention to the needs of the world's poor, because God is the defender of the poor.

A fourth similarity is the notion that work is central to God's purpose for humanity. The story of creation stresses the high value of human activity. It is part of the image of God in mankind and the vocation of each person (Wright 1983; Meeks 1989). This implies that all people should have the opportunity to participate in the economy in a way that respects their dignity. Therefore, there is a moral basic right to work, working conditions should respect human dignity and reward for work should be sufficient to support a worker and his family.

A fifth common notion is stewardship. Although Christian ethics respects the right to private property, every property claim by man is secondary. For, ultimately, God owns the earth. Liberty is therefore coupled to responsibility. Human beings are called to work as God's stewards, not only for themselves, but also for their fellow human beings and the created order, which belongs to God. The responsibility for the created order, which is essentially good, is entrusted to humanity, not as individuals, but as a community. The private property right is therefore embedded in an inclusive concept of common property of all people and is never allowed to become an absolute right that excludes others completely. There should be left enough in common for others. If we abuse and pollute creation, as we are doing in many instances, we are poor stewards. *Centesimus Annus* states (art. 37): 'In his desire to have and to enjoy (…) man consumes the resources of the earth and his own life in an excessive and disordered way (…) Man thinks that he can make arbitrary use of the earth (…) Instead of carrying out his role as a cooperator with God in the work of creation, man sets himself in place of God'. The recent Catholic document *Compendium of the Social Doctrine of the Church* (CSDC 2004) devotes a complete chapter to safeguarding the environment (Chapter 10).

Sixth, all Christian documents acknowledge the ambiguity of economic reality. Although work is part of the vocation of each person, the economy also reflects the consequences of the brokenness of creation and human nature (Beed/Beed 1996). Work is both an expression of human creation in the image of God as well as a testimony to human estrangement from God because of original sin. Every area of economic life is distorted by sin with destructive consequences for the environment, alienation at work and oppression of the poor. An illustration stressed in all church documents is the overwhelming consumerism of Western society and the careless pursuit of material goods, which is in some church documents characterized as idolatry (*Oxford Declaration*, art. 31).

2.2 Diverging Accents

Despite the wide area of agreement, there are also differences in emphasis. In this section, I categorize some of these differences using the distinction between liberalism and communitarianism.

In liberal philosophy, the individual person and his or her preferences take priority over the communion with other persons and communal values (Anderson 1998). In order to channel self-interest in socially beneficial directions, the liberal philosophers stress the importance of institutional arrangements. Individuals pursuing their own self-interest will deliberately design the rules of the institutions by a social contract (Rawls 1999). These institutions prevent people from making short-sighted, socially harmful choices. The state should be ordered, so that individuals enjoy the maximum freedom compatible with similar liberty for others. In such a system, people can – out of self-interest – be expected to maintain the political economic order that guarantees them these rights and liberties (Madison 1998). Institutions are more important for the functioning of a civil society than virtues. Although liberal philosophers do not completely disregard virtues, one does not have to be a good virtuous person in the moral sense of the term in order to be a good citizen. There is no call for devotion to the community as a whole or self-sacrifice. One helps the other by helping oneself. It is enlightened self-interest, not communitarian solidarity, which produces the best of all possible worlds.

Communitarian philosophers like Michael Sandel (Sen 1998), Charles Taylor (Vandevelde 2001), Alasdair MacIntyre (1985) and Amitai Etzioni (1988) stress the social nature of the human being. The liberal notion of free-standing rational individuals is replaced by the concept of persons as members of communities that to a significant degree shape individual decisions. People define themselves in terms of ancestry, religion, language, history, values, customs and institutions (Huntington 1997). Only if the communal relationships are good and if the individual can experience him- or herself as a member of the community, the individual can attain a good life. The community is therefore logically prior to the individual. The optimality of a certain policy or decision should not be evaluated in terms of individual preferences, but in terms of the common good. Since a good community is a critical factor, the communitarian theory stresses other values and norms than the liberal theory. In liberalism, personal autonomy, self-command, prudence and individual development are admired. In contrast, communitarian philosophers are more concerned about values and virtues that enhance communal relationships and relations of care.

Christian economic ethics combines liberal values and communitarian notions (Graafland 2007a, b). As shown above, it respects the individuality of people and impartiality. But Christian ethics also features many communitarian characteristics. Each individual person is called to be part of the Christian community and to sustain it by his or her personal capacities (Loonstra 2000). Furthermore, stewardship and the personal calling are in line with the importance of virtues and care. The focus is not mainly on doing Christian deeds, but also on being a Christian.

Nevertheless, there are some notable differences in the relative importance that liberal versus communitarian values have in various Christian traditions. Whereas Protestant positions tend to be more liberal in nature, Catholic social thought is more communitarian.[3] A liberal aspect in Ecumenical documents is the high importance of just institutions. Sin is conceived as following from or being present in oppressing structures of society (Adams/Jones 1994). The Ecumenical tradition therefore focuses on overhauling the structures and acknowledges an important role for government intervention.

Also the Evangelical approach tends to be liberal in the sense that it is individualistic. The Evangelical tradition sees man's personal alienation from God as central to the fact of evil. Also the redemption and salvation in Christ is highly personal and more directed toward eternity than to earthly peace and justice. In contrast to the Ecumenical tradition, the Evangelical tradition does not put much trust in government institutions as a way of fighting economic evil. On the contrary, it warns against concentration of power in the hands of the government. According to art. 57 of the *Oxford Declaration,* economic power is more diffused within market-oriented economies than in other systems. The government should establish a rule of law that protects life, secures freedom and provides basic security (including sustenance rights). It favours mediating structures, which can, among others, be defended by the idea of the sovereignty of private communities as worked out in the philosophy of sphere sovereignty of Abraham Kuyper (1880).

The Roman Catholic tradition interprets man's personal failures in a less personal sense than the Calvinist tradition. Sin is more considered in the light of its effect on

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3 This does not deny the high importance of personal dignity of man in Roman Catholic social teaching, as expressed by the Roman Catholic principle of personality. This principle stresses the uniqueness, self-subsistence, freedom, responsibility, conscience and solitude of man. Yet, it also acknowledges that the human person finds his or her fulfilment in contact with others. Man has essentially a social nature. He/she depends on others and on society in the material, spiritual and moral realms and is part of a culture. This connection between the principle of personality and community in Catholic social teaching is also expressed by the principle of solidarity that simultaneously acknowledges the personal dignity and the essentially social nature of man. That means that people are tied to the whole, but in such a way that the whole respects the individual personality of people (Höffner 1983).

the community (Tropman 1995).[4] But, just as the Evangelical church doctrine, Catholic social thought is careful with putting too much responsibility in the hands of the government. Although *Centesimus Annus* underlines the responsibilities of government in a number of areas (including welfare provisions at an adequate level), the intervention in markets should be kept to a minimum. The principle of subsidiarity of the Catholic tradition implies that action should be decentralized as far as possible (Verstraeten/Ginneberge 2000; Blok/Graafland 2004). The Roman Catholic social teaching trusts the goodness of organic society. It stresses the role of social institutions and their structures, such as the family, the business firm and intermediate associations as trade unions and branch organizations and assumes an important role of individual morality in these institutions. The societal structures will gradually correct the market and bring it more in line with human dignity (Salemink/Van der Wal 1997).

3. The Free Market and the Priority of the Poor

In section 2, we have identified several common and diverging elements in Christian economic ethics.[5] In this section, we concentrate on one common and challenging element of church doctrines, namely the priority of the poor. The question that we will analyse is whether the free market system serves this principle. Does it benefit or harm the poor?

3.1 Absolute versus Relative Poverty

As we have discussed above, all main Christian churches defend the priority of the poor. However, the exact interpretation of this principle may differ. Poverty can be defined in absolute or relative terms. In the first case, poverty is estimated with a cut-off line (usually 1 dollar a day) that reflects a level below which people are absolutely impoverished. In the second case, poverty is measured in relation to standards of living that are common to a country (Sen 1983).

In the Evangelical document, the main concern seems to be absolute poverty: 'Absolute poverty, where people lack even minimal food and housing, basic education, health care and employment, denies people the basic economic resources necessary for just participation in the community' (art. 40 of *Oxford Declaration*).

In Catholic documents, solving absolute poverty by meeting the basic needs seems to have greater weight than fighting relative poverty, but recent documents also show a

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4 In times of economic crisis, the official church documents sometimes identify sin also with the market as such. To illustrate: during the economic crisis in the thirties, Pope Pius XI characterized in Quadragesimo Anno (1931) the market as tyrannical. Also Pope John XXIII and Pope John Paul II criticized the anti-social effects of unlimited market operation in Mater et Magistra and Centisimus Annus respectively (Salemink/Van der Wal 1997).

5 Another difference is the source of the social teachings. The Evangelical and Calvinist traditions submit to the Scripture, whereas the Ecumenical tradition bases its views relatively more on reason and on the protests of the oppressed. Traditionally, the source of the authority of Roman Catholic social teaching is the tradition of the church and particularly natural law (McKee 1987). It should be noted, however, that recent Catholic documents, like the *Compendium of the Social Doctrine of the Church* (CSDC 2004), refer manifold to biblical texts.

high concern for economic equality. To illustrate, in *Centesimus Annus,* equality is only mentioned in very general terms in the sense that the state has the task of determining the juridical framework that safeguards the prerequisites of a free economy. According to *Centesimus Annus,* this presumes a certain equality between the parties, such that one party would not be so powerful as to practically confine the other to subservience (art. 15). In the *Compendium of the Social Doctrine of the Church* (CSDC 2004), relative poverty is, however, also a main concern. In art. 362, this document remarks that there are indications that globalization increases inequalities between advanced countries and developing countries as well as within industrialized countries, and is accompanied by an increase in relative poverty. And in art. 363 it states that 'It is evident that, because of the great disparities between countries regarding access to technical and scientific knowledge and to the most recent products of technology, the process of globalization ends up increasing rather than decreasing the inequalities between countries in terms of economic and social development.'

In Ecumenical documents, fighting absolute as well as relative poverty has high priority. Although the eradication of absolute poverty has highest priority, diminishing relative poverty is also considered to be important. To illustrate: the recent *Agape Document* of the World Council of Churches (2004)[6] states that the concentration of wealth in the hands of a few aggravates the scandal of the poverty in the South and increasingly also in the North. It recommits the member churches to work for the eradication of poverty and against inequality, and holds the national governments and the international institutions accountable for implementing these commitments.

3.2 Indicators

In order to analyse the influence of markets on poverty, we first define indicators of absolute and relative poverty as well as indicators of free market operation. Absolute poverty is measured by the number of people living below a certain poverty line. Relative poverty is approximated by indices of income (in)equality within countries, such as the Gini index, and between countries. The index of economic freedom of the Fraser Institute is used as an indicator for free market operation. This index captures tight money, small government, low taxes, flexible labour legislation, deregulation, privatization and openness all around (Haan/Sturm 2000).

3.2.1 Market Operation and Absolute Poverty

A first indication of whether free market operation serves the poor is absolute poverty. The globalization of the economy during the last decade has been accompanied by a relative decline in poverty. From 1990 till 2004, the absolute number of people living below the poverty line of $1.08 per day declined from 1.25 billion to 980 million (UN 2007). Poverty particularly substantially declined in East Asia. One example is China. After its transformation to a market system in 1978, the number of people living in poverty (below $1 per day) declined from 634 million in 1981 to 212 million

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6 www.oikoumene.org/en/resources/documents/assembly/porto-alegre-2006/3-preparatory-and-background-documents/alternative-globalization-addressing-people-and-earth-agape.html.

in 2001 (World Bank 2006). In Africa, the absolute number of poor people remained high, but as a percentage of the population, the statistics also show a modest decline, particularly after 1999.

The analysis of the impact of markets on poverty is hindered by the fact that pure market liberalization seldom takes place. China grew because it allowed more private initiative, but flouted many other rules of the free market. Still, empirical studies broadly support the view that trade liberalization will alleviate poverty in the long run and on average (Winters et al 2004). However, there is a lot of evidence that poorer households may be less able than richer ones to protect themselves against adverse effects from more trade liberalization or to take advantage of new opportunities created by openness. Therefore, there is an important role for additional policies to provide social protection and to enhance the ability of poorer households to benefit from new opportunities.

3.2.2 Market Operation and Relative Poverty within Countries

Reduction of absolute poverty is a necessary but not a sufficient condition for reduction of relative poverty. Does the free market system also reduce relative poverty by increasing income equality?

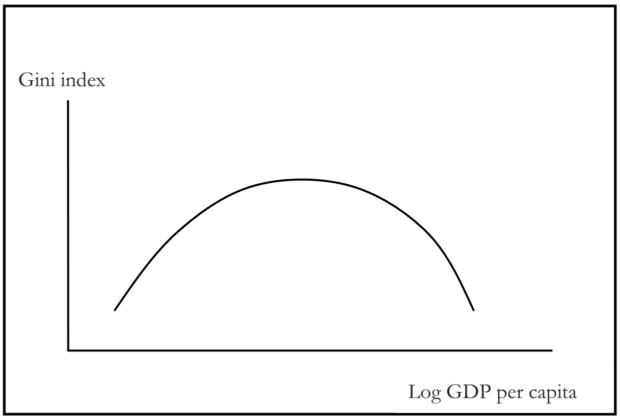

Figure 1: Kuznets curve

According to the so-called Kuznets curve, income inequality will initially rise with GDP per capita, but then fall as countries get richer. The Kuznets curve is not just an economic phenomenon; it also reflects political factors, such as redistribution policies by governments. The history of the poor and rich countries seems to confirm this relationship (Glaeser 2005). Also the World Bank (2006) refers to various studies that show that trade liberalization has a positive influence on wage inequality. This is confirmed by a recent overview article by Goldberg/Pavcnik (2007). They show that the exposure of developing countries to international markets as measured by the degree of trade protection, the share of imports and/or exports in GDP, the extent of foreign direct investment and exchange rate fluctuations have increased inequality in the short and medium run, although the precise effect depends on country- and time-specific factors.

For the longer run, the effects are uncertain. Some studies indicate that market operation decreases income inequality in the longer run. Scully (2002) estimates that the index of economic freedom has a small but significant negative impact on the Gini index. Also Berggren (1999) finds that sustained and gradual increases in economic freedom influence equality measures positively. According to Berggren (1999), trade liberalization and financial mobility are driving these results, perhaps because poor people are employed in industries that expand and flourish with freer trade.

Market operation does not guarantee, however, that the income distribution will become more equal in the long run (once a certain point of welfare has been reached). This is illustrated by the US. Initially, the economic process in the US was very much in line with the Kuznets curve. The share of national wealth earned by the top 1% rose from 15% in 1775 to 30% in 1855 and 45% in 1935. After 1935, inequality declined, but this process stopped at the end of the sixties. A similar pattern can be observed with the Gini index. After a substantial decline between the thirties and the second half of the sixties, it substantially increased since 1975, partly as a result of economic factors (skill based technological change, increased trade and globalization, the decline of unions) and partly as a result of political factors (less progressive taxation, lower minimum wages and unemployment benefits).

That the free market may reduce equality is also indicated by Table 2. In comparison to the US, the larger government share (which is one of the aspects that reduces the index of economic freedom) in Europe goes together with a lower Gini index. Obviously, the institutions in the US are less egalitarian.

	Government expenditure in GDP[a]	*Gini index*[b]	*Index of economic freedom*[c]
Scandinavia[d]	52.7 %	25.6	7.5
Mid. Europe[e]	49.5 %	29.7	7.4
U.S.	36.5 %	40.8	8.2

Table 2: Government Share, Income Distribution and Economic Freedom[7]

The positive relationship between market operation and the Gini index for the rich countries is also confirmed when we compare the index of economic freedom of the Fraser Institute with the Gini coefficient for the countries reported in Table 2. As the index of economic freedom is negatively related to government intervention (measured by public consumption spending as a share of GDP, subsidies and transfer payments as a share of GDP and the presence of state-operated enterprises), this index is higher for the US than for European countries. Estimation results of Scully (2002) for

7 [a] In 2005. Source: GGDC database, www.ggdc.net/dseries/totecon.html; [b] Source: United Nations Development Program (2004); [c] Economic freedom in the world. Source: en.wikipedia.org/wiki/Index_of_Economic_Freedom# Index of economic freedom; [d] Average of Denmark, Finland, Sweden and Norway; [e] Average of Belgium, Germany, France and the Netherlands.

a larger sample of 80 advanced countries confirm that income inequality depends negatively on the share of government expenditures in GDP (both government consumption and transfers and subsidies).

3.2.3 Market Operation and Equality between Countries

According to Milanovic (2005), 70% of worldwide income inequality arises from income variation between countries and 30% from income inequality within countries. In order to determine the impact of international markets on equality, one should therefore not only look at income inequality measures for individual countries, but also consider the convergence between countries.

Table 3 indicates that the expansion of international markets has not contributed to more income equality between rich and poor countries. From 1820 to 2001, the ratio of per capita income between the richest and the poorest country rose from 3:1 to 15:1. Also during more recent periods, a growing income inequality can be seen. The major exceptions are Japan (during 1953-1973) and more recently India and China.

	Growth rate real income per capita[a]			*Ratio of real income per capita compared to Western countries*				
	Total 1820-2001	*Annual 1973-1980*	*Annual 1980-2001*	*1820*	*1950*	*1973*	*1980*	*2001*
Western countries	19.0	1.9	1.9					
Eastern Europe	8.8	2.1	0.2	0.57	0.34	0.37	0.38	0.26
USSR	6.7	0.8	-1.6	0.57	0.45	0.45	0.42	0.20
Latin America	8.4	2.7	0.3	0.58	0.40	0.34	0.35	0.25
Asia	6.9	2.8	2.3	0.48	0.15	0.15	0.16	0.18
China	6.0	3.5	5.9	0.50	0.07	0.06	0.07	0.16
India	3.7	1.4	3.6	0.44	0.10	0.06	0.06	0.09
Japan	30.9	2.3	2.1	0.56	0.30	0.85	0.88	0.91
Africa	3.5	1.2	-0.1	0.35	0.14	0.11	0.10	0.07

Table 3: Trends in Worldwide Income Relations (UN 2006: table I.1)[8]

The statistical evidence on the causal links between liberalization of markets and economic growth in developing countries is mixed and seems to vary over time and country. According to the UN (2006), in the 1960s and 1970s nearly 50 of the 106 developing countries experienced sustained expansion, whereas during the past quarter-century only 20 developing countries did. This is confirmed by an economic study by Dowrick/Golley (2004) showing that the positive impact of trade liberalization is declining (see Table 4). During 1960-79 trade openness promoted the convergence between poor and rich countries. But after 1980, the role of trade openness reversed.

8 [a] Gross National Product per capita in 1990 international Geary Khamis dollars.

Specialization in the export of primary products by poor countries has been more harmful than beneficial to these countries.

Time period	1960-1979		1980-1999	
Welfare of the country	poor	rich	poor	rich
Trade share (% GDP)	41	60	63	71
Estimated total contribution of trade to growth in real GDP per capita, % points per year	1.1	0.6	-0.5	1.0

Table 4: The contribution of trade openness to economic growth (Dowrick/Golley 2004: table 3)

Furthermore, other studies have shown that the growth effect of trade liberalization is negligible for countries with low levels of GDP per capita. Calderón et al. (2005) show that financial and trade opening generally lead to higher economic growth, but this positive impact appears to be small for poor countries. Only as the country develops, financial and trade opening lead to higher economic growth. According to the UN (2005), a country should have a certain amount of physical and human capital in order to compete on the worldwide market. Without basic infrastructure (roads, railways, harbours, energy facilities, telecommunication, safe drinking water, etc.), good public governance and administration, education and a minimum of health services, local companies will not be able to compete on the world market.

Also empirical research on foreign direct investment (FDI) and international production networks (IPN) shows that FDI does not necessarily bring about global convergence. Statistical evidence on the links between FDI and economic growth is inconclusive. The UN (2006: 77) present an overview of various studies that indicate that threshold levels in income, human capital, technological know-how and enterprise development must be crossed before a significant positive impact can be identified. This indicates that market forces alone will not be sufficient to bring about worldwide income equality.

4. The Free Market, the Environment and Excessive Consumption

In most church documents, stewardship of creation is a main concern. God created the world and pronounced it as very good. The dominion which God gave to human beings over creation must be exercised in a way that is responsible to future generations as well as to non-human creation. Economic systems must be shaped so that a healthy ecological system is maintained. In this section, we inquire whether the free market system is suitable for this purpose. Do free markets contribute to sustaining the creation and the protection of non-human life on earth?

4.1 Do Free Markets Reduce the Consumption of Energy?

According to defenders of the free market like Norberg (2002), the answer is yes, at least in the long run. They argue that the economic growth generated by the market stimulates the demand for a clean environment and provides the technology for sustainable production and consumption patterns. The environmental damage initially increases with economic welfare per capita, but at a certain point of welfare the environmental damage declines. Another indirect effect of market operation on the environment is that an increase in welfare may reduce population growth. This will also diminish the environmental burden, because the high and growing world population is, besides high levels of consumption in Western economies, one of the main causes of environmental harm (Randers/Meadows 1971).

However, there are few signs that this expectation is already coming true. The rise in welfare during the last decades went together with an increasing pressure on the worldwide ecological system. This is due to the fact that the market is subject to negative externalities. The environment is a collective good. Economic agents driven by self-interest will not take account of the harm their decisions cause to the environment if they do not have to pay for this damage. Although the rise in welfare also raises the demand for a clean environment, the total net effect of the economy on the environment is still negative.

Table 5 illustrates how the market indirectly contributes to environmental harm by stimulating production and consumption. During the last decades, only in the US the use of primary energy per capita stabilized. The total use of primary energy increased because of the rise in population between 1980 and 2004. In other countries, the use of primary energy per capita and the total use of primary energy increased even more, particularly in Asia because of the booming economies of China and India.

Equivalent trends are reported for CO_2 emission. Although CO_2 emission per capita (column 5) and per dollar real income (column 6) declines in rich countries, the total emission increased between 1980 and 2004 as a result of economic growth. In other countries, CO_2 emission per capita also increased during this period.

	Primary energy per capita (million btu) 1980[a]	*Idem 2004*	*CO_2 emission (million tons) 1980*[b]	*Idem 2004*[b]	*% growth 1980-2004 CO_2 emission per capita*[c]	*% growth CO_2 emission per dollar real income*
North America	286.0	280.2	5.439	6.866	-5.7	
U.S.	343.9	342.7	4.754	5.912	-3.3	-40.2
Central and South America	39.6	50.8	623	1.041	9.8	
Europe	135.7	146.5	4.657	4.653	-9.6	
Middle East	62.3	116.0	495	1.319	38.2	
Africa	14.4	15.7	534	986	0	
Asia	19.9	38.5	3.556	9.604	86.8	-63.2
Total world	63.7	70.1	18.333	27.043	2.9	

Table 5: Energy Consumption Per Capita[9]

9 [a] www.eia.doe.gov/pub/international/iealf/tablee1c.xls, [b] www.eia.doe.gov/pub/international/iealf/tableh1co2.xls,·[c] www.eia.doe.gov/pub/international/iealf/tableh1cco2.xls.

In order to reverse these trends and accelerate eco-friendly production and consumption patterns, the market should be embedded in an institutional framework that fosters internalization of negative externalities. Both market-conform and non-market policies are potentially useable. Well-known examples of market-conform policies are emission trading (i.e. redefining property rights so that emission of CO_2 becomes a monetary cost), taxes on energy use or subsidies for the development of ecological friendly product and consumption patterns. This kind of policies make use of the price mechanism to stimulate more eco-friendly behaviour Alternatively or on top of that, the government could apply non-market policies, such as legal requirements with respect to pollution levels maximally allowed (for example as a condition for licences). Coercive laws may, however, be more effective if they endorse the self-regulation in the market, such as legal requirements with respect to ecological reporting. More transparency will confront market parties more directly with the social consequences of their choice and this will improve the reputation mechanism (Auger et al 2003; Graafland/Smid 2004). According to the so-called governance or system approach the government must try to employ and exploit the existing antagonistic forces within society in its endeavor towards self-regulating sub-systems (Hess 2007). This approach may thus involve coercive laws, but in a way that minimizes governing costs by the maximum employment of societal (countervailing) forces. The preferred mixture of the various policies described above depends, among other, on the cost-effectiveness of each of them.

4.2 Does the Free Market Hinder Temperance in Consumption?

The link between environmental destruction and unlimited growth of consumption is voiced in documents of the various churches. To illustrate, in article 360 of the *Compendium of the Social Doctrine of the Church* (CSDC 2004), the Catholic church states that 'the cultural challenge that consumerism poses today must be met with greater resolve, above all in consideration of future generations, who risk having to live in a natural environment that has been pillaged by an excessive and disordered consumerism'. Also the Evangelical document *Oxford Declaration* (art. 3) relates the abuse and pollution of creation to the greed of sinful human being. In the *Agape document* of the World Council of Churches, the call for self-restraint in consumption follows immediately after the commitment to sustainable resource use (art. 4). In the *Accra Declaration* (art. 34), the sin of misusing creation immediately follows after the confession that we have become captive to a culture of consumerism and competitive greed of the current economic system.

The idea that market operation stimulates excessive consumption rather than temperance is typical for church criticism on free markets, but not taken very seriously by economists. Nevertheless, there are several theoretical reasons and empirical signs that confirm this criticism. The competition on the market stimulates productivity growth and innovation, because this allows companies to gain a (temporary) advantage over their competitors. Thus, the supply of goods increases and this extra production must be sold to customers. For this purpose, firms constantly try to create new needs for customers, which they just have to meet. For this purpose, firms use marketing strategies like advertisements. In the US, the average adult watches 21,000 commercials a year (Sider 1997). The primary function of commercial advertisements is to sell a product to prospective buyers. It creates desires in consumers for the sole purpose of absorbing industrial output. Continuous product development, spurious model changes and planned obsolescence are instrumental to this purpose.

On the labour market, similar influences of firms on employees can be detected. Due to competition, firms have strong interests in long working hours by their employees, resulting in (labour) demand-induced working hours and a high workload (Schor 1997). Employees take the income they receive and spend it. Although many workers would like to work fewer hours, they get used to the higher level of income and adapt their preferences accordingly. Schor (1997) mentions an interesting outcome of a 1979 survey for the US that showed that only five per cent of the employees wanted to reduce current income in exchange for spare time, but that 85 per cent of the respondents preferred the option of trading future pay increases for more spare time. Yet, over the next decade, almost none of the employees got that result. Instead, they got more income (and in many cases, longer hours). Nevertheless, by the end of the 1980s, a majority was still expressing satisfaction with their current hours. Schor explains this outcome by changing preferences. Rather than getting what they want (the standard neo-classical story), people end up wanting what they have already got (more working hours and more money). The new level of consumption sets again a new standard for the reference level of consumption in the future.

As a result, we see many signs of excessive consumption. In the US, the need for consumption is so high, that people almost do not save money anymore. Another sign is the growing problem of obesity. Currently, worldwide one billion people are overweight. Excessive consumption if furthermore supported by the overload of choices that the market provides: in a supermarket one has to choose between more than 100 varieties of cookies. Psychological research shows that we would be better off if consumption choice was more constrained (Schwartz 2004).

According to Christian ethics, consumption is not the sole end of economic life. Stewardship of God's creation matters as well. McCloskey (2006) argues that the welfare in the market economy will not be damaged if the virtue of temperance reigns. Indeed, although a transition towards a more moderate economy will cause some temporary unemployment, a market economy will tend to a new equilibrium that finds employment in other sectors and/or more spare time. This implies that the argument in defence of ever-growing consumption, namely that we cannot do without in order to prevent unemployment, is false. This provides the opportunity to be more selective and we should therefore have more courage to limit consumption growth in order to safeguard the environment.

5. Summary

This paper has investigated the economic ethics of three main Christian traditions in Europe: the Roman Catholic tradition, the Evangelical tradition and the Ecumenical tradition. We have identified several common elements: the dignity of every human person made in the image of God; impartiality and justice; the priority of the poor; work as a vocation; stewardship; and the brokenness of human nature and creation. In the second part of this paper, we have concentrated on the most challenging elements of these Christian values: the priority of the poor and stewardship of creation. The empirical evidence that free markets decrease poverty is mixed. On the one hand, the empirical evidence so far broadly supports the view that trade liberalization will alleviate poverty in the long run. On the other hand, international markets are not a sufficient condition for reducing relative poverty within countries and between rich and poor countries. Furthermore, the historical trends in energy use indicate that the free market does not secure a healthy ecological system and fails to stimulate the virtue of temperance. From these findings we can understand why the three different Christian traditions will only provide conditional support to the free market and why they reject globalization without institutions that foster reasonable equality and protect the natural environment.

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