ECONOMIC COMPULSION AND CHRISTIAN ETHICS

Markets can often be harsh in compelling people to make unpalatable economic choices any reasonable person would not take under normal conditions. Thus workers laid off in mid-career accept lower paid jobs that are beneath their professional experience for want of better alternatives. Economic migrants leave their families and cross borders (legally or illegally) in search of a livelihood, and countless Third World families rely on child labor to supplement meager household incomes. These are examples of economic compulsion, an all-too-frequent state of affairs in which people are driven to make choices under acute economic duress.

These economic ripple effects of market operations have been virtually ignored in ethical discourse because they are generally accepted to be the very mechanisms that shape the market's much-touted allocative efficiency. Albino Barrera argues that Christian thought on economic security offers an effective framework within which to address the consequences of economic compulsion.

PROFESSOR ALBINO BARRERA teaches in both theology and economics at Providence College. His most recent book is *Modern Catholic Social Documents and Political Economy*, published in 2001.

NEW STUDIES IN CHRISTIAN ETHICS

GENERAL EDITOR: Robin Gill

Christian ethics has increasingly assumed a central place within academic theology. At the same time the growing power and ambiguity of modern science and the rising dissatisfaction within the social sciences about claims to value-neutrality have prompted renewed interest in ethics within the secular academic world. There is, therefore, a need for studies in Christian ethics which, as well as being concerned with the relevance of Christian ethics to the present-day secular debate, are well informed about parallel discussions in recent philosophy, science or social science. New Studies in Christian Ethics aims to provide books that do this at the highest intellectual level and demonstrate that Christian ethics can make a distinctive contribution to this debate – either in moral substance or in terms of underlying moral justifications.

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For my aunt Zeny, in thanksgiving for her example of Christian faith, simplicity, and service

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General Editor's preface

This book is the twenty-third in the series *New Studies in Christian Ethics*. There are many points of mutual concern between this important book and others within the series. Peter Sedgwick's *The Market Economy and Christian Ethics* takes a very similar inclusive approach to public theology in this area, from an Anglican position, as does David Fergusson's *Community, Liberalism and Christian Ethics*, from a Reformed position. Douglas Hicks's *Inequality and Christian Ethics* explores at length the issue of urban inequality that is one of the negative features of economic compulsion. And both David Hollenbach's *The Common Good and Christian Ethics* and the first monograph in the series, Kieran Cronin's *Rights and Christian Ethics*, set the whole discussion into a wider context of Catholic public theology.

Together these monographs admirably fulfill the two key aims of *New Studies in Christian Ethics* as a whole – namely, to promote studies in Christian ethics which engage centrally with the present secular moral debate at the highest possible intellectual level and, secondly, to encourage contributors to demonstrate that Christian ethics can make a distinctive contribution to this debate.

Albino Barrera's new book is particularly welcome because it involves an important subject, it is well and clearly written (you do not need to be an economist to understand it), it engages with the secular literature, it is theologically sophisticated and it reaches challenging conclusions. His focus is upon what his fellow economists term "pecuniary externalities" – especially upon economic hardships caused for individuals and impoverished groups because of changes induced unintentionally by fluctuations in the economy. He argues strongly that we need to take communal responsibility for such hardships – the effects of economic compulsion – and not simply leave them to "market forces." Christians have a particular moral imperative for addressing the concerns of vulnerable people negatively affected by economic compulsion and for challenging others in society to do so as well.

Qualified as both an economist and a theologian, Albino Barrera has written a creative book on economic compulsion, underpinned by Christian ethics (both Catholic and biblical), that should influence and challenge the religious and non-religious alike. What more can I say?

ROBIN GILL

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Preface

Markets can often be harsh in compelling people to make unpalatable economic choices any reasonable person would not take under normal conditions. Thus, workers laid off in mid-career accept lower paying jobs that are beneath their professional experience and training for want of better alternatives. Economic migrants leave their families and cross borders (legally or illegally) in search of a livelihood. Over forty million United States residents forego health insurance in the face of unaffordable premiums. In response to unrelenting increases in drug prices, many elderly people on fixed incomes cut back on other essential expenditures like food and heat to purchase medication for their chronic ailments. Countless Third World families rely on child labor to supplement meager household incomes, and in the process, condemn their children to a lifetime of illiteracy and invincible poverty. Unable to keep up with rapidly escalating property taxes or rents, long-time residents of gentrified neighborhoods have had to move farther away from urban centers and put up with longer commutes to their workplace. These are examples of economic compulsion – an all-too-frequent state of affairs in which people are driven to make distasteful choices.

These cases share a common thread: They are about people who have been adversely affected by market price adjustments. They are about up-ended lives that have had to endure sudden and often devastating changes wrought by an extremely fluid economic environment. They reflect desperate and disagreeable market choices reasonable people would not make under ordinary circumstances. They are all painful dilemmas whereby vital interests are voluntarily, but reluctantly, relinquished in the face of acute material necessity. Such forbidding straits are often the damaging fallout of regular market operations. And, as seen in the examples cited, they occur in both wealthy and poor countries.

Market transactions have wide ripple effects and often inflict unintended consequences on unsuspecting third parties. Such externalities are of two kinds: technological and pecuniary. Mainstream economic theory and policy call for extra-market remedial measures to deal with technological externalities (such as pollution) because they impede economic efficiency. In contrast, pecuniary externalities (such as losing one's job to outsourcing) are deemed acceptable since these market-mediated adjustments are precisely the very mechanisms through which allocative efficiency is achieved.

Daniel Hausman argues eloquently against this asymmetric treatment between technological and pecuniary externalities in mainstream economic thought and policy.

> Pecuniary externalities can totally transform people's lives. It is odd, if not monstrous, to suppose that the power looms that destroyed virtually the whole of the hand-weaver's capital (both human and otherwise) did those weavers morally significant harm only insofar as the smoke they gave off smudged the hand-woven cloth [technological externality]. Positive pecuniary externalities can eliminate the greatest privations of the past and transform the human condition. Negative pecuniary externalities can force people on pain of starvation to leave their homes, occupations, families, countries, and cultures; indeed, they can force people to starvation itself. Can one plausibly accept the view that human actions with such overwhelming impact on the lives of other people raise no questions of justice? (Hausman 1992: 104)

Pecuniary externalities are potent in their capacity to generate far-reaching changes. Indeed, history is replete with evidence of how markets can be transformative either for good or for ill.

Pecuniary externalities ought likewise to be a matter of policy concern just like their technological variant, for at least two reasons. First, price changes are a de facto market redistribution of burdens and benefits across economic agents. Thus, even while many benefit, others may have to bear a disproportionate share of the cost of moving the economy toward greater allocative efficiency. The unfettered market is by its nature primarily geared toward letting prices allocate scarce resources to their most valued uses; it is not concerned with the distributive ramifications of price movements. Thus, questions of equity and fairness will go unattended and unaddressed. Moreover, inadvertent market effects can be detrimental to the point of driving many to a state of economic compulsion as a result of price and quantity adjustments. In other words, pecuniary externalities can severely restrict the autonomy and hurt the welfare of market participants in nontrivial ways. Second, unintended consequences mediated through the marketplace ought to be examined closely because they often inflict heavy costs on the very people who are least able to bear them, as we will find in chapter 2.

Given the extensive, abrupt, and even catastrophic collateral repercussions of market exchange, especially in the age of globalization, it is now all the more urgent for us to open a new front in ethical discourse: what to do about injurious pecuniary externalities and their resulting economic compulsion. Long before the industrial era, scholastic doctors had already grappled with the question of economic coercion (Langholm 1998). However, beyond expressing grave concern, medieval economic ethics did not address substantive issues of this phenomenon. For example, what constitutes economic compulsion? Are coerced economic choices morally significant? If they are, who should be held to account for such duress? Is there an obligation to rectify or even reverse such market outcomes? How do we separate routine from consequential pecuniary externalities? To what degree do we remedy economic compulsion and why? Who bears responsibility for such ameliorative action?

This book argues that Christian thought offers a rigorous, critical assessment of these questions. In particular, drawing from its theological and philosophical resources, Christian ethics provides (1) compelling arguments for a closer scrutiny of market-mediated third-party effects, (2) a conceptual framework for defining the threshold where negative pecuniary externalities turn into economic compulsion, and (3) an ethos within which such adverse unintended consequences ought to be redressed.

Part I examines the nature and dynamics of economic necessity. Chapter 1 defines the formal characteristics of what constitutes compulsion, using conceptual tools and language from the philosophical literature on coercion. I argue that Aristotle's notion of mixed action lends itself well to framing economic compulsion as a state of affairs in which market participants incur profound opportunity costs, that is, they have to give up vital interests to satisfy other unmet nontrivial claims that are even more pressing. Such a condition is precipitated by factors within the marketplace itself such as the limits it imposes on freedom of association, the inability of individual economic agents to change market processes on their own, bounded rationality, and the ubiquity of pecuniary externalities. Markets can be coercive in the negative unintended consequences they unleash by the nature of the attendant price adjustments of economic exchange.

Chapter 2 argues that economic distress often has a regressive incidence. The most ill equipped to deal with disruptive market ripple effects frequently end up having to bear more of them given their disadvantaged social and historical location. We find plentiful evidence of such a pattern in capital, labor, and product markets due to variations in individual capabilities, differences in the private cost of accessing social goods, and wide disparities in the communal valuation of personal endowments. Thus, it is all the more important to attend to the market's harmful consequences since it is the poor who often have to endure them.

Economic compulsion makes sense only in reference to a moral baseline of what is considered to be noncoercive, and part II surveys Christian contributions in setting just such a benchmark. Chapter 3 describes economic security as an unusual divine benefaction in that it embeds one gift within another: God not only provides for human material needs but also elicits human participation in effecting such bountiful providence. The economic precepts on debt- , slave- , and land-release in the Hebrew Scripture are fundamentally about ameliorating economic distress. The marginalized are restored to a position from which they can once again participate in the marketplace as free and equal members of society. Thus, economic security has three constitutive elements: (1) access to the requisite goods of life (2) through one's own efforts, to the extent possible, (3) within the confines of a nurturing community. This vision of the ideal economic order is adopted and repeatedly stressed throughout the Christian tradition, from the New Testament to the patristic writers to the scholastic doctors down to contemporary religious social thought. Economic compulsion is a privation of such a divinely proffered economic security.

The market's positive and negative side effects cannot and should not be separated from each other. If market exchange is truly about mutual advantages for all parties concerned, then the burden of bearing the concomitant liabilities of market operations ought to be borne by those who have reaped the most benefits. In other words, gains from the marketplace itself provide the means to compensate for its accompanying harms. Chapter 4 maintains that the Hebrew economic statutes provide excellent examples of such extra-market corrective-rehabilitative mechanisms and processes. The Chosen People's ethos of restoration merits retrieval and emulation in our own time as we wrestle with balancing both the good and the ills of global economic integration.

Christian ethics does not merely articulate the foundational warrants for why economic distress is morally significant, it also provides conceptual tools for implementing its insights. The two chapters of part III illustrate the value of Christian thought for contemporary economic ethics.

The Hebrew vision on the proper alleviation of harmful market outcomes in an ancient nomadic and agrarian economy needs to be adapted for our postindustrial age. Moreover, we have to learn how to deal with varying degrees of economic compulsion since all market exchanges are by their nature constrained choices; we have to be able to distinguish genuine needs from mere wants if economic compulsion is not to be tautological. Both of these requirements are met by rights language. Chapter 5 presents modern Catholic social thought's web of rights and obligations within its overarching common good tradition as an analytical backdrop for concretely defining the scope and severity of economic compulsion.

To demonstrate the utility of this study's proposed model, chapter 6 examines the detrimental subsidiary economic effects suffered by developing countries because of European, Japanese, and American agricultural protectionism. Farmers from both industrialized and poor countries have strong competing moral claims as they seek relief and shelter from a global market environment that threatens their long-standing agrarian way of life. The notion of economic security from Christian ethics and its contemporary expression in human rights-obligations provide practical guidelines both for adjudicating these clashing interests and for rectifying ruinous unintended consequences from international agricultural trade.

Written for scholars and students of economic ethics, religious social thought, poverty studies, sociology, and political economy, this book offers a fivefold contribution to the literature. First, it proposes a systemic account of economic distress by tracing its provenance to the nature of market exchange itself. Scholars believe that destitution is the outcome of social conflict, exploitation, or even personal choice (Blank 2003; Trimiew 1997: 137–52). Part I of this study argues that the unintended consequences of market transactions can occasion or exacerbate poverty.

Second, this study formalizes and traces the regressive impact of transaction costs and economic compulsion on the welfare of economic agents. Chapter 2 uses the household production model of consumer theory to account for how and why markets can be skewed in the distribution of their negative ripple effects. The marketplace is an effective price discriminator, charging unique prices for every market participant given the latter's human capital and sociohistorical location. To my knowledge, this argument has never been made before in economic scholarship or in social ethics.

Third, this research presents scriptural justification for why inimical secondary effects of the market ought to be rectified. Moreover, it examines and then calls for a retrieval of the Hebrew admonitions on mutual assistance and rehabilitation for injured third parties (chapters 3 and 4).

Fourth, most theological commentators deduce human rights from human dignity and God's claims. This study does the same but goes a step further by using human rights-obligations and economic security in setting the boundaries and the end of market operations respectively (part III).

Fifth, this book draws upon the network of duties and rights from contemporary Christian social ethics to propose a conceptual framework for analyzing pecuniary externalities (chapter 5). We can deal with economic compulsion only in the measure that we have the vocabulary and the necessary distinctions that allow for a nuanced application of abstract principles to the concrete particularities of the economy.

The market's adverse unintended consequences have received insufficient analytical attention and systematic ethical appraisal in the literature. This is a troubling deficiency in view of the profound suffering the most vulnerable often have to endure. For example, consider the story behind the cover of this book. Taken in 1936 in Nipomo, California for what was then the Resettlement Administration, this picture is from a series of photographs that have since become iconic images of the hard life of an earlier generation. In fact, the woman in these photos has come to be widely known as the "Migrant Mother." Dorothea Langes's account of how she came to take these photographs puts an unforgettable human face to the numbing helplessness of economic compulsion:

> I saw and approached the hungry and desperate mother . . . She told me her age, that she was thirty-two. She said that they had been living on frozen vegetables from the surrounding fields, and birds that the children killed. She had just sold the tires from her car to buy food. There she sat in that lean-to tent with her children huddled around her . . . (*Popular Photography*, February 1960, p. 126)

Is there a communal obligation to reverse or at least mitigate the market's negative collateral effects? Should we have to face hard economic choices all on our own? These questions take on even greater significance in view of the increasing "marketization" of society in the postindustrial, globalized, knowledge-based economy.

Pecuniary externalities are unavoidable since they are intrinsic to economic life. They flow from the nature of market exchange itself and produce both benefits and harms. However, the market's negative unintended consequences deteriorate into a state of economic distress only if we, as individuals and as a community, permit them to proceed uncorrected. Consequently, unattended economic compulsion is in itself an indictment of our moral failure to be "each other's keeper." In advancing a better understanding of economic compulsion, I hope this work evokes a renewed personal and collective appreciation for the promise and the possibilities of partaking in God's initiative of providing for us through each other in the twofold divine gift of economic security.

Many have been generous during the writing and production of this book. Ernest Bartell, Dan Finn, Thomas Massaro, and John Lunn provided valuable comments, corrections, and ideas for improvement. I incorporated as many of their suggestions as space and time permitted. Any errors that remain are solely my responsibility. Carol Moran furnished excellent proofreading assistance. It has been a delight to work with Kate Brett of Cambridge University Press and Robin Gill, series editor, who have been most supportive, efficient, and professional in bringing the project to fruition. I cannot thank Joanne Hill enough for her exceptional copy-editing. To these good and kind mentors, colleagues, and friends, and for their wise counsel and encouragement, I owe a deep debt of gratitude.