The Difficulty of a Theological Economics

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There have been discussions over time among Christian economists as to whether a Christian economics can or should be developed. I have been in the camp with David Richardson, who said the job of Christian economists was to do good economics. Mary Hirschfeld (2018) develops a specific type of theological economics—one derived from Thomas Aquinas. I have not been persuaded to change my view. This is not to say that the book cannot be read profitably. Hirschfeld has PhDs in both economics and theology, so she is better equipped to write on economics and theology than most economists or theologians. Even before she pursued a degree in theology, she felt discomfort with the rational choice paradigm of mainstream economics and this discomfort increased with her theological training. She recognizes that, often, theologians present idealized pictures of how the economy could be organized and that one must recognize human beings as they are and not how we would like them to be. This alone makes Hirschfeld’s book more valuable than many books in which theologians critique economics. I will offer a brief summary of the work, although I will not follow the same outline she does. Instead, I will present her description of Aquinas’s thought that she relates to economics, her critique of mainstream economics and her suggestions as to how a Thomistic economics could be practiced. Then I will offer a couple of areas of concern.

Thomas Aquinas took the recently rediscovered works of Aristotle as a base for his philosophy, which also influenced his theology. Thus, much of Aquinas’s thought that Hirschfeld discusses is very similar to Aristotle’s thought. Aquinas says human beings seek happiness, but Aquinas’s conception of happiness differs from modern notions of happiness. “… Aquinas’s conception of happiness is centered on the notion of perfection in our beings” (p. 68). To obtain this final end, a person must develop habits that develop key virtues ultimately leading to a virtuous life. To achieve this end requires focusing on character development more than obtaining goods and services. In economics, the ends people seek are subjective while in Aquinas the final end is objective.
because it is determined by the way God made us. All goals except the final end are instrumental; they should be chosen in order to bring a person closer to the final end. This includes material goods and services that are produced and consumed in the economic system. Hirschfeld says that the idea is similar to Gary Becker’s household production function in which people convert goods and services into a small set of ultimate goods such as prestige and health.

Following Aquinas, Hirschfeld distinguishes between two types of reason: a lower form similar to that of animals and a higher form that seeks to pursue the perfections mentioned above. The former is the type of reason used in the rational choice model. She also distinguishes between natural wealth and artificial wealth. Natural wealth includes the material goods that humans use to live—food, clothing, transportation and so on. Artificial wealth is nominal income while natural wealth is real income, in economist’s language. Hirschfeld comments: “Natural wealth is ordered to genuine human flourishing; artificial wealth, in turn, is ordered to the acquisition of natural wealth” (p. 118). The big difference, though, is that Aquinas argued that our physical needs are finite and therefore that our rational desire for natural wealth is also finite. That is, mainstream economists see wants as unlimited while Aquinas sees a natural limit to human desires.

Hirschfeld offers an example of how a Thomistic approach can function. Consider a dishwasher. Most modern households own one. They are a great labor-saving device. But to what end is the saved labor used? She considers a household in which the family decides that preparing meals together and cleaning up afterwards together are activities that enable family members to interact with one another and show love to one another. The dishwashing could be seen as an exercise of virtue and directed toward the well-being of the family. This kind of thinking would be necessary for many of the purchases households routinely make in modern America if households were to follow Aquinas’s philosophy. Business owners would produce goods that genuinely led to human flourishing and would not seek to maximize profits. They would cover their costs, including costs associated with paying workers good wages.

To this point, Hirschfeld seems to be making normative statements about how households should make choices. But she is mainly interested in economists and economic theory. What would a Thomist economist do? She states: “… a Thomist economist would define economics around
the ends it is meant to serve. The overarching question is how economic life should serve genuine human happiness” (p. 209). Economic analysis would be embedded in a holistic account of happiness. Utility is an inadequate notion of happiness. Hirschfeld is sympathetic to some work by Sen and Nussbaum related to human capabilities rather than nominal income. Further, the Thomist economist would be aware that when offering policy analysis people must be treated as humans created in God’s image and not things to be manipulated. The tools used by economists may affect human behavior as well. For example, she refers several times to an experiment at Israeli day care centers. Some parents were late at times in picking up their children. So the center implemented a fine on parents for being late. People reacted by being late more often; they perceived the fine as a price, whereas before people felt a social obligation to be on time. She writes: “But incentives are not always helpful and can indeed backfire if the process of imposing them causes people to alter their higher-order judgement about the nature of the good in question” (p. 76). She notes that experimental economics has shown that people often do not exhibit the economically rational behavior in prisoners’ dilemma situations. A model that is better founded anthropologically is needed.

A minor concern of mine is Hirschfeld’s treatment on profit maximization. From the book, it would be easy to get the idea that making profits is easy. There is no discussion of the fact that many businesses start and quickly fail due to their inability to cover their costs. Large established firms have been known to run into problems and go out of business or declare bankruptcy. Firms with discretion over how profitable they are tend to be firms that have monopoly power.

There are two bigger issues that I want to address. The first involves the relationship between philosophy and theology. As a Christian, I regard normative statements made by Christian theologians to be potentially more relevant to how I should live than statements made by philosophers. How much of the theological economics of Aquinas could be the philosophical economics of Aristotle? Before he became Pope Benedict XVI, Cardinal Ratzinger presented a paper at the University of Regensburg in which he argued that Christianity needed Greek philosophy to complete what was lacking in the Bible. That is a very different view from Tertullian, who questioned what Athens had to do with Jerusalem. In discussing what she calls the analogical relationship
between God and the world, Hirschfeld notes that Aquinas relied heavily on Ex. 3:14 where God says, “I am who I am.” From this, there is a heavy emphasis on God as essence or Being, which is very consistent with Greek philosophical thought. But a shift in thinking that began with St Francis of Assisi focused more on a covenantal relationship between God and creation. Heiko Oberman argues that this view fits better the Hebrew of Ex. 3:14. The emphasis is not on God as Being but on God as Actor—I will be who I will be (Oberman, 2003, p.36). That is, Israel would learn about God through events such as the exodus, obtaining the land of Canaan, the Davidic kingship, prophets, exile, restoration, and ultimately, the life and teaching, and death and resurrection of Jesus. This is quite different from the Greek idea of Being or of contemplation as the way to know God and is similar to Pascal’s vision of the God of Abraham, Isaac and Jacob and not of the philosophers.

Hirschfeld employs Aquinas’s arguments that language about God has to be analogical. God is independent of creation and we only know created beings. To say “God is good” cannot be used in the same sense that one can say “My minister is good.” Language about God cannot be univocal; that God’s goodness is somehow similar to created things we call good. However, not all medieval Catholic theologians agreed with Aquinas. Duns Scotus argued for univocal language, as did many Franciscans after him.

I worry that theological systems such as that of Aquinas can be over determined. Some truth about God is used to draw out implications. For example, God created the universe and God is loving and gracious. In medieval times, this was taken to imply that God must have created all possible creatures that could manifest his goodness. To do less would not be totally gracious. Ultimately, it led to the idea of the Great Chain of Being. God at the top, angels of various classes below, then human beings in the middle, and then the rest of the animal kingdom. There could not be a gap between two beings that could possibly have been filled with a creature or God would not be fully loving or gracious. Of course, there was a gap in their knowledge about extinctions, the existence of microscopic creatures and life on other continents. The chain also fitted in with a very hierarchical view of society. I don’t believe many accept the Great Chain of Being today. Similarly, I wonder whether all the implications Aquinas drew from his starting points are true especially since, as Hirschfeld argued, God is radically strange (p. 86).
H. Richard Niebuhr described Aquinas as a great synthesizer in relating Christ and culture. But he notes that the era permitted a synthesis since there was Christendom and a monolithic church that managed to incorporate critics of the worldliness of the church. But the unity "... was broken as soon as it was achieved, not by the Reformation and the Renaissance but apart from them, in all the conflicts and stresses of the fourteenth century" (Niebuhr, 1975, p.139). To what extent can it be applicable today?

As mentioned above, one of the arguments against the rational choice model is the failure of experimental economics to support predictions in the prisoners’ dilemma. Experimental economics is closely associated with Vernon Smith, who co-authored a book about testing the neoclassical model. Smith and Wilson claim early in the book that the early experiments confirmed the efficacy of maximizing utility to market settings. However, the model failed to predict the extent of cooperation in games such as the ultimatum game (Smith & Wilson, 2019, pp. 7-8). They suggest that Adam Smith's *Theory of Moral Sentiments* offers explanations for the results of two-person interactions while the neoclassical model does well with markets—the material of Smith's *Wealth of Nations*. Apparently small number situations, even with strangers, are perceived differently by people than are more impersonal market situations.

This leads to my second issue—what should economists do? James Buchanan gave a very normative address to the Southern Economic Association in 1963 entitled, "What Should Economists Do?" He said: "Economists 'should' concentrate their attention on a particular form of human activity, and upon the various institutional arrangements that arise as a result of this form of activity" (Buchanan, Brennan, & Tollison, 1979, p.19). That is, our focus should be on markets and not on choice. Markets are how we cooperate with one another in a world of extensive specialization of labor. I find this approach to economics better, and consistent with the idea that economics is a social science. How do people cooperate with each other in a world of extensive specialization of labor? With respect to this emphasis, I don't see where Aquinas is helpful.

But, the rational choice model is widely used in economics. Is Hirschfeld correct in claiming the model is a poor guide to achieving happiness? Certainly the rational choice model cannot identify the final
end of a person. Given the end has been chosen, is the model a poor
guide to achieving it? She argues that this is the case for two reasons.
First, the model assumes that a person has identified the goods he or
she is pursuing. Further, based on Aquinas’s treatment of reason, people
have more than one preference ordering—one for their higher desires
and another for their untutored desires. Second, economists presume
decision-making on the margin. This works against a notion that one has
to develop habits of virtue. Hirschfeld uses an example of a person who
wants to run a marathon. Each day involves a marginal decision. The
opportunity cost of not training is low so there will be a tendency for
the person to not be prepared for the race. But this is incorrect. Marginal
decision-making does not always involve small units. A firm’s decision
to build a factory for millions of dollars may still be a marginal decision.
The marathoner’s marginal decision was to decide whether to prepare
for a marathon or do something else. Once the decision to train is made,
and running the race is the goal the individual has, the opportunity cost
of not training on a given day includes the more difficult training will be
the next day. Opportunity costs always lie in the future.

Hirschfeld is interested in welfare economics, which she describes
as the bread and butter of economics (p. 48). Policy recommendations
as a result of economic analysis are the focus. In Chapter 2, she elabo-
rates on the problems she sees with the way welfare economics is done,
arguing that the rational choice model is not up to the task. She notes
that welfare economists presume that when individuals freely choose a
consumption bundle they are doing so because it will make them better
off. But they may be wrong, especially if the higher-ordered goods are
ignored. She states that “... good policy requires attention to the fact
that while humans often act out of the lower form of reason that can be
manipulated through incentives, they also sometimes, and perhaps even
often, act out of the higher form of reason that discerns which goods are
genuinely worthy of pursuit” (p. 198). She worries that policy proposals
to “incentivize” desired behavior may backfire and undermine social
norms. She cites work by Samuel Bowles: “He argues that a truly wise
policy maker needs to consider the impact incentives have on norms to
determine the best policy for achieving desired ends” (p. 198). Hirschfeld
uses an illustration from an analysis of the Congressional Budget Office
concerning the Affordable Care Act. Would people react differently
if the mandate was called a tax or a fine? But this example is not one
where the actual policy was different but only differed on what to call it. Ultimately, the Supreme Court declared it constitutional because Congress has the power to tax. It is not clear to me how often genuine differences in policy would flow from a Thomistic approach. Further, it seems to require that the Thomistic economist has to know what people would do if they utilized their higher order reasoning.

I have focused more on areas of concern and disagreement, but I found the book interesting and helpful. I have, for lack of space, glossed over the details in Hirschfeld’s work concerning Aquinas and his teaching. These details are worth reading. Like Buchanan, I think economists should focus more on behavior in markets than on choice. Even so, the rational choice model is important. Ultimately, the test of Thomistic economics is whether employing the analysis suggested by Hirschfeld leads to good economic research and policy prescriptions. I intend to utilize some of the ideas in the book in my micro classes in the future. In particular, to introduce the idea of a final end and how, as humans, we do not grow into finished people when reaching adulthood. But, to go along with what I said above about philosophy and theology, if I were still at a state university, I could do the same thing using Aristotle instead of Aquinas. I think economists should read the book, but even if Hirschfeld is correct in how economists should operate, I find it difficult to believe that we would see much change in the operation of the economy itself or in the policies that actually are implemented by the political process.

Endnotes

References


