

Economics for Life: An Economist Reflects on the Meaning of Life, Money, and What Really Matters.

Ian Harper. 2011. Brunswick East, Victoria, Australia: Acorn Press. ISBN: 978-0908284955, \$30.57 (paper).

Reviewed by Gordon Menzies, University of Technology (Sydney, Australia) and Trevor Thomas, Ethinvest (Sydney, Australia)

E*conomics for Life* is a multi-faceted book written by one of Australia's most visible economists—Professor Ian Harper. The book is a lucid blend of Christian testimony, biography, and economic history, written for a popular audience. In it Harper aims to define the role of economics and the economist in modern life, to illustrate how applied economics can help foster a better world, and to reflect on questions of transcendence and truth that are beyond the ken of the (modern) profession. The book falls neatly into three sections, each addressing one aim.

The first section of the book identifies the economist as a scientist. Just as the physicist employs hypotheses and mathematical models to understand the behavior of matter in the universe, so the economist uses these same tools to understand human interactions in the production and distribution of goods and services. Insofar as one can read philosophical underpinnings in a popular work, Harper's view of science seems to be a form of logical positivism. His analogy with physics is telling in this regard.

Harper further argues that the role of the economist is to be a pragmatist—not to view economic challenges through the lens of personal values but to analyse the interplay of different variables so as to understand which combination of factors will produce the most efficient outcomes that promote the highest good.

While it is true that there have been important areas in which consensus has grown in the economics profession over the past thirty years, *Economics for Life* underplays the significant areas of debate that remain. Harper would have us believe that such debate results principally from the elevation of personal values above scientific analysis, but the reality is more complicated. There are divergent schools of economic thought that emphasise the importance of different factors that shape questions of resource allocation, efficiency, production, and exchange. The book would be richer for locating the neoclassical consensus and “positive economics” on the broader map of economic thought.

Harper makes a strong argument in favor of market based approaches, but he is not blind to the “dark side” of the market: “By exalting individual

preferences and achievement, markets can corrode a sense of responsibility for or belonging to one's community, fuelling social alienation" (p. 42). Further, Harper argues that the market is not morally neutral, but that it assumes "the moral hue of the society within which it operates and the people who interact within its scope" (p. 47).

On this score, Harper laments the absence of a "coherent moral framework" in contemporary materialist societies (p. 46). This is essential if markets are to promote good. The prevailing economic system provides freedom to actors to make many choices both altruistic and selfish, but for the market to "edify rather than corrode virtue in society, a critical mass of the community must value good over evil" (p. 44), and express that in their choices in the market. This requires "moral courage" and perseverance. It requires an intentional engagement with the manner in which goods and services are produced, marketed, and consumed—so that exploitative practices can be boycotted, and voices raised to call for laws that "constrain the market against exchanges that most people find morally offensive" (p. 48). This needs to be a general commitment from society, not just those in corporate and policy leadership roles.

However, as Harper himself acknowledges, despite his best intentions the consistent application of moral courage is beyond his own resources. Indeed, the human predisposition to sin presents a serious obstacle notwithstanding that we are made in the image of God and capable of moral courage. His conclusion is that as a Christian he relies on seeking strength from God, the transforming power of the Holy Spirit that draws us onward into resurrection life in Christ. This of course begs the question about the likelihood that "moral courage" can indeed prevail in a society in which moral relativism has undermined Christian humility and sanctification.

The second section of the book deals with questions of application drawn from Professor Harper's unique vantage point—one foot in the academy and the other in the marketplace, with a third (!) in some of the most significant Australian public policy and review roles of the past twenty-five years.

The section starts with a crisp and insightful overview of the economic history of Australia that every senior high school student there should read. Clear and concise, it highlights key turning points, accidents of history and geography, and policy decisions that have profoundly shaped the modern Australian economy.

Following a brief summary of Australia's particular resource endowments, Harper highlights the Sunshine Harvester case in 1907 as a profound turning point in shaping the development of the wages and

industrial relations arbitration system in Australia. The Company had applied for an exemption from excise duties to facilitate more competitive export pricing of its farm machinery. The Commonwealth Court of Conciliation and Arbitration ruled against the exemption, as the company was not paying a “fair and reasonable” wage to its employees. This shaped not only the fortunes of that company but provided a precedent for wage determination that set a pattern in Australia that has shaped all subsequent institutions and arrangements.

Equally engrossing and clearly written are his account of the short life of the Australian Fair Pay Commission and an overview of the Global Financial Crisis (GFC) of 2008/09—drawing interesting parallels and contrasts to Australia’s labor market experience during the Great Depressions of the 1890s and 1930s. Harper’s analysis of the causes of the GFC cover familiar territory: the liquidity generated by surplus nations that fuelled a debt-driven rise in asset prices that ended with the historically inevitable bust. Greed was a major contributing factor inflating asset bubbles in this environment, and securitisation resulted in the absence of “trustworthy monitors” of credit risk (banks who both originate and hold debt), a problem exacerbated by complicit ratings agencies.

Harper expects the banking system will reassert itself in the wake of the GFC. Banks will return to center stage, with stricter controls and closer prudential supervision. He calls for another enquiry into the Australian banking system to ensure that its structure and the regulations that are applied are appropriate for the twenty-first century.

In the third and final section Professor Harper most fully expresses his conviction that economics is a good servant but a poor master. He recounts his own realization, in mid-professional life, that he had elevated economics above its station: it became for him a lens through which to view the world and a system from which to derive meaning. Coming to Christian faith allowed him to re-evaluate, and provided him with a coherent framework in which his professional skills could be used to address pressing moral and social challenges in contemporary society. He particularly cites the need to promote economic growth to lift more people from poverty, allowing them to fulfill their God-given potential and escape the “un-freedom” that characterizes profound economic need, while also caring for the natural environment that sustains us all.

Standing back from the book, a Christian academic will be struck by the fact that Professor Harper’s theological intuitions about economics and about what he calls the dark side of the market (well expressed on pp. 40-42) are not considered relevant for positive economic theory. To go down

this route, he must strongly maintain the positive/normative distinction in economic analysis. Yet for all this, he writes eloquently about the loose edges of scientific methodology as it bears upon Economic Man:

Homo Economicus is a creature of scientific rationalism, which insists upon the distinction between facts and values in the quest for a value-free rational inquiry. By contrast, the facts which economists observe and the theories they construct are informed by their own experience and outlook on the world. Even the questions economists find interesting reflect their subjective judgment (p . 24).

In the light of these comments, one wonders how a tight positive/normative distinction can be maintained whilst apparently rejecting a tight fact/value distinction, for they are essentially the same idea.

An alternative to fencing off positive theory from Christianity is to remain open to a unique Christian perspective, but not to demand it, for all truth is God's truth. As it happens, Professor Harper's comments on *Homo Economicus* pinpoint one area where Christianity could have, dare we say, a positive effect on theory. Economics is a social science, and it cannot be pursued without an underlying view of humankind—an anthropology. Christianity has a good deal to say about human identity, so it is surely conceivable that Christian perspectives might be marshaled to critique or augment *Homo Economicus*.

Returning to normative analysis, in the penultimate "Christian Economics" section Professor Harper outlines a role for Christians to engage with the mainstream by critiquing any implicit moral assumptions. Although he describes building a distinctive Christian Economics as an "interesting and worthwhile intellectual pursuit" (p. 166), he is concerned that developing a parallel conversation to the mainstream potentially isolates Christian influence from the discipline.

Yet if Christians are to critique mainstream theory at all, it is hard to object to them doing so in a logically coherent way that is true to the Christian worldview. Indeed, that would seem to be a requirement for all scholarship by Christians. If the argument leads to a uniquely Christian perspective, that is well and good. If it does not, then all good economic analysis is God's good economic analysis.

Perhaps these caveats ask too much of the popular genre, for Professor Harper has not sought to write a formal "Treatise on Economics." What is written undoubtedly displays an impressive degree of personal and professional integrity. One cannot help but be struck by the way in

which this unashamedly Christian public figure has allowed the gospel to permeate the understanding and practice of his discipline. That alone makes *Economics for Life* a very worthwhile, and unique, contribution. ■