Economic Compulsion and Christian Ethics

Albino Barrera. 2005. Cambridge: Cambridge University Press. ISBN 978–0–521–85341–5, $80.00.

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Albino Barrera's book on the needed Christian reaction to "economic compulsion" is extremely useful in drawing attention to forgotten aspects of our economic and social system, which result from the "adverse unintended ripple effects of the market" (p. 77). These aspects spontaneously call to mind the beneficial effects of the Invisible Hand that are said to ultimately eliminate these "ripple effects," so that each of us can enjoy his or her own search for "opulence."

Barrera sets out to correct these conventional misperceptions/exaggerations. He first emphasizes that mainstream economics does not discuss the "pecuniary externalities" that result from the mis-functioning of the market system itself, but usually concentrates on externalities caused by an identifiable economic agent towards others, such as the pollution caused by a factory (p. xii). He then calls our attention to "economic compulsion," a concept completely foreign to economic thinking as it (apparently) does not affect at all the working of the market system itself but "only" the living conditions of the human being confronted with physical and moral misery. This misery in turn results from changed economic conditions which the affected ones cannot alter.

The juxtaposition of "pecuniary externalities" and "economic compulsion" thus throws a new light on the "mis-functioning of the market system" (not mentioned by mainstream economists who tout freedom and autonomy, as Barrera points out on pp. 19, 22, 31) and its fundamental basic humanistic deficiency, as the market system is conceptually unable to take note that adjustments frequently imply "economic compulsion," viz. "non-economic misery."

This new perception naturally leads Barrera to describe the many aspects of this compulsion in part I ("The Nature and Dynamics of Economic Compulsion"[1] and to examine in practical detail (in part II) how Christians must go about "setting the moral baseline and shaping expectations" necessary for the removal of this compulsion. Part III presents the "Contemporary Appropriations" of his analyses. The preface provides an excellent and detailed summary of the book. In the concluding chapter, the two objectives of Barrera become clearly apparent. A primary objective is expressed in the analysis of the market mechanisms of exclusion and of the (Christian) ways and means to restore "God's gift" of "Economic Security." Secondarily, and incidentally, he provides a critique of capitalism (in the concluding section of the book, p. 234), a system that is ultimately responsible for *not* emphasizing and correcting these "economic compulsions," as the market system would if it were effectively consistent with its foundations.

Barrera's emphasis on the full human aspect of "economic compulsion" and his critique of the ideological defense of the market system thus strongly sets the discussion at a different level from the one usually used by mainstream economists. This requires an effort to relate Barrera's conceptual innovation to the theoretic approach used by rigorous market economists (who are very different from those who ideologically "tout the market system") when they deal with the new issues Barrera raises. It is thus necessary to examine how "pecuniary externalities" and "economic compulsion" can be related to the "market failures" and "adjustment costs and benefits," which rigorous market economists use but which are not mentioned in Barrera's book.

In the first place, rigorous market economists emphasize, as Barrera does, that market failures and imperfections result in skewed adjustment costs and benefits. Thus, for example, imperfect non-regulated markets (oligopolies and monopolies) obviously function to the detriment of consumers and workers, as evident in the real and financial markets examined by Barrera (p. 57 ff.). More generally, market functioning is weakened by many imperfections—such as a highly unequal distribution of income, wealth, and human capital—the latter resulting from unequal access to education and social culture. Economists therefore emphasize the need for social interventions to correct these imperfections and thus to increase the efficiency of the market system; this entails a reduction of the likelihood of economic compulsion. It is thus crucial that market failures be redressed and not obfuscated, so that global efficiency can be increased and economic compulsion, which strikes the poorest, decreased. The difference between these economists and Barrera is that the former concentrate on the economic adjustment principles while the latter goes farther and derives from the failures of the market mechanisms the fact that some humans are trapped in compulsion. Barrera thus takes a necessary further step in the identification of social and market failures, which obviously need the special attention of social welfare agencies and Christians (as mentioned in parts II and III).

In the second place, it is clear that cyclical or more fundamental structural changes result in pecuniary externalities in addition to and beyond the above-mentioned institutional market failures. In this case, changes in the underlying global conditions result in adjustment costs and benefits which are (a) the crucial factors of the adjustment process to the new conditions, but which are (b) also influenced by the above mentioned social and market failures (e.g. unequal wealth and power distribution). Powerful groups can indeed delay and warp economic adjustment in their favor and thus impose longer hardship on all, but especially on the poorest. Barrera emphasizes the complexities arising from inequalities to the functioning of the adjustment process. It is therefore important to look at the adjustment process very carefully and to realize that adjustment costs (for those whose position deteriorates as a result of the fact that their personal or professional assets have become less efficient and less demanded) occur generally at the same time as adjustment benefits. Moreover, this differential is imperatively necessary for the adjustment process to be as efficient and as rapid as possible. This differential indeed reduces the adjustment costs and enables the losers to gain through their "recycling" to new opportunities. While these *microeconomic* adjustment costs and benefits (i.e., those occurring on individual markets) should *not* be interfered with (to protect old and now obsolete advantages), it is also clear that *global* (macro) benefits have increased, so that increased income taxes (levied on the gainers) could and should be used to help the losers gain sufficient time and knowledge to improve their adjustment to new opportunities. In the 1960s, modern countries began to institute social processes to protect the losers. Finally, since social and educational inequalities characterize even advanced societies (as pointed out above), shocks that require adjustment worsen the existing imperfections and heighten inequalities, thus worsening and delaying the adjustment process in general, especially for the poorest members of society.

Two consequences must be drawn from this generally ignored conjunction of necessary adjustment and preexisting deep inequalities. First, more than ever it is imperative that market and social imperfections (such as social and educational inequalities) be continuously reduced in anticipation of inevitable shocks; i.e., reforms must be pushed through against the opposition of those who "tout the market system" as if it were eternally perfect, viz. immune to inequalities. Second, Christians must understand that their faith requires their involvement in these efforts (hence the importance of Barrera's ethical investigation in part II) and that, in addition, they must help the poor to continuously develop greater autonomy through their investment in economic and intellectual means (i.e. assets). Barrera thus emphasizes correctly that the adjustment process conjoins pecuniary inequalities and economic compulsion.

This leads us, thirdly, to emphasize a novel aspect of the world adjustment process. Our Western minds have been blinded by centuries of global economic progress, during which adjustment costs were always less important than adjustment benefits. Yet, changes in globalization may well usher in for Westerners periods of decline. Thus, several U.S. industries (e.g., the automobile industry) have suffered due to foreign competition, in part because their corporate leadership slept behind monopolistic protection (another market failure), while U.S. consumption remained at high levels thanks to credit card borrowings and current account deficits. Both features delayed painful adjustments which will have to be reversed and which will result in considerable economic compulsion, exerted on the less fortunate.[2] Barrera's contribution that economic compulsion is part and parcel of adjustment costs (p. 215) is therefore utterly timely.

The preceding analyses illustrate how much Barrera correctly emphasized in the economic analyses of part I the link between pecuniary externalities and economic compulsion. In part II of his book, he turns to show how the ethical foundations of economic security (the opposite of economic compulsion) are rooted deeply in human nature. In chapter three, Barrera shows that economic security is constitutive of the intended order in God's creation. It is about the satisfaction of one's basic needs (1) with the nurturing assistance of the community and (2) through one's personal effort, to the extent possible. He adds that "the goal is not the attainment of equality in distribution but the provision of a safety net of second chances" (p. 121). Furthermore, he states, "God's intended order includes (a) provisioning us with all we need in conjunction with our personal and communal effort…(b) the invitation to partake in divine governance by serving as an instrument through which God provides for us *through each other*" (pp. 109–110, emphasis added).

Barrera thus excellently describes the ultimately Christian foundation of economic security through the development of Christian love of neighbor, which associates humans to God's caring governance of humanity. What Barrera, however, does not emphasize is that economic security, this gift of God through human commitments, is in fact essential to the very nature of the market system. Indeed, it is this economic security which incites humans to depend ever more on the market—to rely on their co-exchanging and co-specializing brothers and sisters to avoid economic set-backs and eventually economic compulsion, rather than on their own solipsistic "filling up of their own granges" (Luke 12:19). It is the very capacity to depend on this gift of God, on the economic security resulting from increasing reliance on the others, that allows all to produce more efficiently and thus to overcome a bit more scarcity and to enjoy the other gift of God, "opulence," as Adam Smith used to say.

Barrera thus emphasizes again the deep links between the Christian ethos and true "market progress," ultimately founded in the economic security provided by the civic culture that emerges from human nature potentiated by resolute Christian commitment.

In conclusion, *Economic Compulsion and Christian Ethics* shows that the market system is rooted in a very specific social system, capable of continuously providing the economic security required for the ever better functioning of the ever more complex market system. Market society must therefore strive to eliminate economic compulsion. Barrera emphasizes this on the very last pages of his work: "After all, the moral foundations of capitalism are *eroded* to the extent that market transactions are indeed *intrinsically coercive*…;" moreover, he states, "Attending to economic compulsion is about *ensuring fairness in the market-driven redistribution*…" and he adds, "In conclusion, mutual advantage is a key guiding principle undergirding the ideal of economic exchange…. The institutions and conventions that make the market what it is, are the creation of our *collective* economic *agency*" (pp. 224–225, emphases added).

Endnotes

1 Economic compulsion is excellently defined on p. 16: "Thus economic compulsion is not…based...simply on opportunity costs but on the nature and severity of such opportunity costs," and Barrera adds that "the autonomous agent is one who is not *always* struggling to maintain the minimum conditions of a worthwhile life. The more one's choices are dictated by personal needs, the less autonomous one becomes" (p. 17, emphasis added). Barrera further analyzes economic compulsion: "Economic agents are compelled to find and complete transactions within a…predefined period in order to obtain recurring basic necessities…. They do not always have the option of waiting for the most propitious trades because they are bound by…a time constraint of having to eat and to be kept warm…on a regular basis" (p. 21).

2 The case of a global or macroeconomic deterioration of an economy/society (e.g., the U.S. in the future) is rarely discussed. In this less and less hypothetical case, the efficiency of investment and savings and of increased work inputs (as opposed to leisure and consumption) will also require a heightened increase in equality. Presently, the poorest are incited to consume, while the richest already transfer U.S. capital abroad, thus developing the competitive advantage of their capital and of the (utterly poor) foreign labor, which together drive the poorer U.S. sectors into increased borrowing. ■