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COMMENT

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Introduction

In 1998 the book *The wealth and poverty of nations* was published, written by David Landes, a retired professor in economic history from Harvard. Within a few months more than 50.000 hardcover copies were sold of this best-selling book. In that book, with its 544 pages, Landes tries to answer the question why in some countries and regions the economies are performing well and why others remain backward. Differences in economic performance are subsequently explained by differences in culture and religion. With the West-Europeans and their descendants in the US, Canada and Australia yielding the best performance, his answer is that the capitalist values and Calvinist religion are the main explanatory factors.[1] In fact these are the old stories of Adam Smith and Max Weber, but now told by a good writer. Recalling the theme of our session, say 'Economics within the context of Cultures and Christianity', I expected a paper which would re-examine (and criticize) the Landes story from a christian philosophical perspective.

García de la Sienra has done something rather different. His focus is less on history and cultural differences, but rather on theory and how to integrate this with a christian world view. He contributed an interesting paper, albeit one that is sometimes very technical. For some of us this might be even confusing. However, at the same time he makes a serious effort to communicate his view to the economic community by addressing them in their own specialized and formal language.[2] So he respects their 'culture', but at the same time tries to get them thinking of a christian view on economic life, which is clearly one of the aims of our conference.

Globalization

García de la Sienra starts his paper with connecting the issue of the globalizing economy with Dooyeweerds remarks on the laws of historical development. I agree with him that globalization is a kind of world integration, but a distorted one. Following Goudzwaard and De Lange, noted problems are poverty, pollution, unemployment, speculation). The main contribution

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1 One exception to this general rule is Japan.

2 With respect to the technical part of the paper it is a pity that the proofs are omitted since they are in not all cases trivial. Part of the problems introduce so-called non-convexities, which in general create serious problems for the used optimization framework. Examples of these non-convexities are increasing returns to scale, externalities, redistributing taxation schemes.

García de la Sienra makes is not to analyse the globalization issue as such, but rather to propose a very general framework to handle these problems in a systematic way and from a reformational perspective. Because globalization is still in mind, the paper has a strong focus on the world-individual or micro/macro distinction. Due to this mindset, some important things are overlooked (role of institutions, regions, meso-level, etc.) or paid less attention to.

Christian and secularized economics

Geertsema (1995, 17) remarked that Dooyeweerd did not see a big gap between the specific sciences as approached from a christian or secularized perspective. He saw the main impact to be on the field of philosophy in general, and the philosophy of knowledge in particular. García de la Sienra more or less operates in this line. In fact he accepts the neoclassical theory of consumer and producer behaviour hardly without suggesting any modification. To a lesser extent this also holds for the normative branch, in particular the Bergsonian welfare economics.

I think secularized neo-classical economics has its value, in particular when the focus is on understanding issues of allocation and (marginal) changes therein. However, its explanatory power is conditional on a host of assumptions, which among others imply that the theory has essentially a static character (in contrast with for example Marxian economic theory, which explicitly considers the historical dynamics). Moreover, the normative view it has on man and mankind cannot be called Christian, although it takes into account essential elements of fallen man. As such it has descriptive or explanatory power, but because it accepts 'what is' in a non-critical way, it falls short in analyzing 'what should be'.[3]

In my opinion, what is needed when taking over elements from secularized economics is to rethink them and re-interpret them. Moreover, a number of things have to be added and others have to be deleted. From that perspective it is a pity that García de la Sienra not explores the significant changes that have taken place in economic theory, but rather sticks to the restrictive neo-classical microeconomics. I think of the development of the new institutional economics, which corrects (or at least tries to do so) for the a-institutional approach of classical micro. Moreover, it pays attention to the role of norms in economics. I also mention the game theoretical approach to human behaviour, which contributed a lot to our understanding of economic coordination and under what conditions it might fail.

Being happy with those recent developments in economic theory does not mean that I think they are sufficient. Therefore they remain too much modifications within a questionable world view. A particular characteristic of the economic view on people and their world still is utilitarianism. In its

[3] Another reason why (at least parts of) it make sense is because as an empirical science it is bound to reality.

crudest form, associated with Bentham, people are simply motivated by the desire to gain pleasure and avoid pain. Shortly, an individual's goal in life is to promote his or her own interest, preserve his or her own life, increase his or her own pleasures, etc.

In its adjusted form it makes a concession to the complexity of human behavior, by allowing that utility can be derived from, for example, being charitable to others. By expanding it in this way, they tried to explain a much wider range of human behaviour (think of bequest motive, salvation motive, taste for discrimination, interdependent preferences).

Both approaches are weak with respect to acknowledging the positive-normative divide. From a Christian perspective we should critically examine them. Loving oneself may not be reduced to promoting simply one's own interest. But even if so, God tells us, however, that it is only half of the picture. The other part is loving ones neighbour. This is not only a request or command, but fortunately also an element of our nature, albeit one that might got quite affected by sin. I would like to make a plea for the motive of care, as an alternative motive besides promoting one's own interest, which should be taken into account to really get a balanced picture of how people behave both in general and in the economic sphere.

Within economics there is a third view, which hardly can be called utilitarianism, but which needs new consideration. In that approach (see most modern microeconomics textbooks) utility is a formal designation. It is whatever consumers maximize, but economists and textbooks are unwilling and/or unable to specify what it is. I understand this as a search in economics for finding a common denominator. In my opinion, based on what I have learned from reformational philosophy, economists are right when they think that there should be some common 'economic' denominator which cannot be reduced to ethics, psychology, etc. Here we touch on the issue what the own sphere of economics exactly stands for, and how we should approximate its significance, or, in Dooyweerdian language, its kernel of meaning. We should be able to make a contribution here. Interesting work has been done already by Cramp, Goudzwaard, Haan, Kee, and Storkey.

Social welfare function approach

What I said with respect to classical micro-economics, the positive branch of economic theory, holds even more for the normative branch, known as welfare economics. Indeed, García de la Sienra is critical here. He adopts the Bergsonian social welfare function approach, but at the same time explicitly rejects welfarism: obtaining a social welfare function by means of aggregating local preferences. Here I would like to make five comments.

1) The social welfare function approach in one way or another subsumes an optimizing agent, usually the government as a benevolent and omniscient dictator. From a reformational perspective the primary task of the government

is to ensure and strive for public justice. Of course this has an economic aspect and allows for pursuing an economic policy, but does not coincide with the maximization perspective behind the social welfare maximization approach (see Beukes and Van Niekerk-Fourie, 1993).

2) The social welfare approach has also been criticized for other (more practical) reasons. In particular the public choice-school in economics has argued that the government is not a monolithic unity, but an institution comprised of politicians and bureaucrats, which each have their own goals (re-election and vote-maximization, expanding budgets). Moreover, they are under continuous pressure of (one-issue) interest groups. At a more theoretical level, Arrow has shown the impossibility of aggregating local preferences in a consistent social welfare function. Arrows impossibility theorem of course primarily attacks welfarism, but also indirectly hurts García de la Sienra's approach.

3) A social welfare function is a function. García de la Sienra uses his NF as such a function, but he has in fact to think in terms of sets. I think he is not really consistent here. We should indeed think about the economy in terms of a set: the space allowed for discretion. Doing this in a consequent way changes the focus more to norms that should be respected in economic life rather than to an optimal (welfare) state.

I agree with García de la Sienra that, given the fallen mankind and the associated presence of sin and brokenness, one should think sometimes in terms of feasible compromises, which implicitly suggest that there is a trade-off between norms (and their realizations) at least in practical life. The NF might be seen as a device that precisely realizes this. However, a social welfare function suggests a stable preference relationship, while compromises of the kind just described can be better understood in terms of incidental choices which are circumstance- rather than preference-related.

4) I think García de la Sienra's paper falls short in taking into account two interesting recent contributions in the field of normative economics:

a) Amartya Sen (1992), who recently won the Nobel prize in economics and is an expert in the field of social choice and welfare economics, has struggled for years with the social welfare function approach. Finally he adopted a completely different framework. He now thinks in terms of *capabilities*, *functionings* and *freedom*, and offers a nice example of an approach more promising than the social welfare function one. In my opinion his work cannot be ignored in a really reformational approach.

b) Ammittai Etzioni (1988) offers another approach, which might be called a two-utility structure. In his interesting work, he upholds a fundamental distinction between 'economics' and 'ethics'. I think the framework he proposes deserves more attention from a reformational perspective. An interesting point is that he comes to a more enriched paradigm, which also changes standard neo-classical approach into a more balanced one.

A reformational agenda in economics

García de la Sienra tries to formulate a reformational agenda in economics, by, firstly, interpreting his NF framework in a dynamic context.[4] Relying on growth theory, he concludes that one of the most pressing problems the world economy faces is population growth. If population does not stabilize, a stationary or *golden age* program is simply not possible. I think he should have taken technical change and (human) capital into account. Not doing so easily generates doom scenarios which fortunately never come true, but may be misleading (cf. Club of Rome). In terms of research agenda a central question is what is a system of sustainable needs that maximizes the NF.

Secondly, García de la Sienra discusses the relationship between lower-level individual economic behaviour and upper-level central planning. He emphasizes both the possibility and necessity of a real market economy, albeit one in a bounded space.[5] As I argued before, saying this requires that the outcome of the upper-level maximization is a space for individual discretion rather than a unique welfare optimum. I think García de la Sienra's distinction between 'large scale economics' and 'micro economics' is much too simple. There is much more between the global and the individual which must not be neglected. Especially from a reformational perspective we should be aware of the plurality and diversification in creation and thus also in the economy. What is needed is a structural analysis of both economic behavior and the economic process. Some issues should be solved at the local level of the individual. Other issues should be dealt with at the level of the village, the county, the state, the region, the multinational enterprise, etc. Some should be dealt with at a world level, and a lot should be dealt with at several levels simultaneously. It depends on the structure of the economy as well as on the policy issue at which level the problem should be treated and responsibilities addressed.

I agree with García de la Sienra, that the most important research area is an analysis of economic normativity from a reformational perspective. With respect to this, both economic and non-economic norms are relevant. García de la Sienra's paper does not make a contribution to the search for economic normativity as such. But the framework he proposes suggests that economic normativity has to do with imposing constraints from the outside on the economic process or behaviour. Therewith he downplays that there also is, what I would call, 'normativity from within' which is relevant. Economics not only should be normative, i.e. satisfying moral and ethical considerations, but it also is intrinsically normative (see Jongeneel, 2000).

An important issue in this respect is not only to figure out what the relevant norms are, but also how responsibilites are defined. In particular with respect to the latter much work has to be done. Moreover, I think we will see that a

[4] For the sake of consistency, the aggregation over time requires NF to be specified as time dependent and/or to be redefined in its arguments.

[5] Necessity is argued for by referring to the two well-known fundamental welfare theorems, which also hold in a bounded economy-context.

globalizing economy requires strong states rather than weak ones, properly institutionalized firms rather than simple share-holder devices for raising short-run cash money. So an additional issue for the agenda is the analysis of institutional structures encouraging responsible and sustainable economic behavior. That is also an area where we can make a contribution (think of Goudzwaard's (1988) work on causality in economics).

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