

Know Thy Limits: The Noneconomics of Abundance

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Introduction

The goal of this conference on economic personalism is to discuss, and possibly, to develop a set of principles that aptly describes economic personalism. Participants received a draft set of principles to reflect on before the conference. Item seven on the draft statement reads as follows:

Value. The central role of human thought and action in economic life explains the fact of subjective economic valuation. Recognition of subjective economic values, however, is not incompatible with insistence on objective ontological value and objective moral truth.

This value statement (as I will refer to it) brings together essential components of Christian humanism and economic science in a provocative way. Economists use subjective preferences in their models and tend to be wary of any objective evaluation of preferences. Economics is primarily interested in the objective manifestations of subjective preferences appearing in the marketplace. Economists make assumptions about the structure of individual preferences, but not their content. Indeed, economics per se is not in a position to offer a critique of anyone's notion of value. Aside from the Austrian School, all of the economist's assumptions about human action proceed from a hypothetical, not an ontological base. For instance, a person with a taste for pornography is assumed to behave just as consistently as a person with a taste for fine art. Hence, the price and supply of pornography should respond to changes in income, the prices of related goods, and the costs of production in a manner that differs from the market for fine art only in degree.

Most Christian humanists would say that there is a great deal more difference between the markets for pornography and fine art than between the measures of their elasticities of demand. They might argue that pornography has a corrosive effect on the person because it damages an objective good. Fine art, on the other hand, leads a person to fulfillment in a way that pornography never can. It would be difficult to convince a humanist that pornography might lead to fulfillment in some people, and that fine art might lead to fulfillment in others. Economists would be hard-pressed to make such a distinction.

Both economics and Christian humanism are aiming for an understanding of reality, though on two completely different levels. On the one hand, the economist uses a hypothetical model of the human person to predict what happens to the unemployment rate when the minimum wage increases. With little alteration, the same hypothetical model could be applied to the behavior of lab rats. The Christian humanist, on the other hand, describes the value of work as a sharing in the work of creation. A humanist description of behavior, of course, could never be applied to lab rats. Christian humanists base their reasoning on far more secure premises than those of economics. Drawing equally from divine revelation as it has been articulated by the churches along with the natural law as developed through the centuries of the Western tradition, Christian humanists rightfully claim that the truth-content of their work begins with first principles. If any error emerges, it must mean that the principles have been incorrectly applied.

In the value statement, subjective preferences are posited as “not incompatible” with an objective moral order. The statement grants legitimacy to both Christian humanism and economics that is a necessary starting point for discussion. In this paper, however, I argue that the statement we have received needs to be strengthened. The paper highlights the fundamental distinction between institutions such as the family and institutions such as the market by reflecting on the reality of human life before the Fall. I refer to the former as *healing institutions* and to the latter as *coping institutions*. Coping institutions strive to make the best of a bad situation. Healing institutions aim to reverse the damage entirely. This occurs through a transformation (or conversion) of persons, which brings damaged subjective values in line with an objective moral good. It is vital to recognize that this transformation occurs through noneconomic means. Furthermore, the transformation is always costly for the participants. Sometimes it may seem better to cope with the scars of original sin than to work to overcome them. This is the temptation that economic personalism, and all participants in a modern market economy, must resist. These issues lead me, in the conclusion, to offer a reformulated version of the value statement submitted for discussion.

The Fall and Its Aftermath

There was indeed a time in human history when the linkage between the objective moral order and subjective values was strong. Indeed the identification of the two was complete. A plenitude of goodness characterized God's original creation. Like no other creature, man and woman bore the image of God himself. Hence, everything about creation, including the inner life of the hu-

man person, moved in harmony. This *original abundance* made for a world that we can hardly imagine. There was no need for property because nothing valuable was in short supply. Without property, trading would have been pointless. No one would have missed the absence of markets when all prices would have been zero or nonexistent. Moreover, because man's inner life was securely anchored in objective value, we can be sure that both trust and selflessness characterized human relationships, particularly those between men and women. Contracts would have been figments of the imagination and the prisoner's dilemma would have been an impossible theorem to explain. Work would have been a joy. The acquisition of knowledge would have been as effortless as breathing in fresh air. Without a neurosis driven by the certainty of impending mortality, the present moment would have been appreciated as simply another moment in a boundless set of moments.

We might speculate further on the precise structure of subjective preferences as they functioned in the Garden. Economists make the nearly universal assumption that diminishing marginal utility governs human consumption. By this they mean that any additional consumption of a particular good always adds to the well-being of the person, though at a diminishing rate. The classic classroom example is to ask whether the fifth beer tastes as good as the first beer. No student ever says yes. But if subjective valuation is completely identified with the objective moral order, marginal valuation would never be necessary. The person would simply *do* the right thing without concern for the consequence. There would be no need to calculate the precise relationship between the marginal benefit and the marginal cost of a particular action.

History has obscured the duration of the era of original abundance. What is obvious is that it has ended. The end came when man declared independence from God so as to live in a tragic-comic fantasy world as his own god. Scarcity, toil, ignorance, alienation, violence, fear, and death quickly followed in the train of man's foolishness. Essentially, our first parents made an erroneous value judgment. By this very act, the created link between man's subjective valuation and the objective moral order was damaged, though not destroyed.

After the Fall, history records man's persistent efforts to *cope* with the scars of original sin. Various institutions—armies, law, prisons, manors, guilds, universities, markets—have evolved and come and gone in line with their effectiveness as coping mechanisms. Usually these institutions have coexisted, more or less uneasily, with other institutions that proposed a more complete remedy. Religions, utopian governments, philosophies, among others, have typically shown a willingness to shoulder the burdens of a broken world while anticipating a new era in history. In almost all cases, these latter proposals involve a

transformation of the human person himself. They promise a renewal of harmony between subjective value and, however defined, an objective moral order. Christianity certainly falls into this latter group.

The science of economics, as it is taught on a typical college campus, firmly roots itself in pragmatic concerns. Though few professors would speak of it in these terms, it is fair to say that economics begins with the question, "To what extent do markets help us cope with the scars of original sin?" That is to say, in a world where property rights are protected and voluntary exchange allowed, how do markets direct resources to those areas where scarcity is the most acute? Most economists are convinced that free markets do an amazing job bringing time, talent, and resources to bear on the most pressing social needs. All this happens in a decentralized framework that produces results that far surpass what any central planner could possibly hope to accomplish. Students and market commentators often speak as if the market has a mind of its own. No such claim is necessary. Instead, the effectiveness of markets is directly attributable to the linkage between social need, as manifested through the price system and individual self-interest. This leads some to say that economics provides cover for the legitimization of selfishness, that our tables and charts add window dressing to what is essentially nothing more than a deal with the Devil.

I often refer to economics as "the science of original sin," but not in the manner just described. Instead, I suggest that economics can show how free markets effectively *cope* with the scars of original sin. But there is a much larger question at stake here. To what extent, can it be argued, that markets help *heal* the wounds of original sin? In other words, do markets make for better people?

Some have argued that markets, at least in some respects, make for better people. Successful market participants should be the most ingenious, the most disciplined, and the most frugal in their use of resources. In a stable economic order, one can even argue that markets build trust between people. Certainly one might expect that a handshake between business partners carries more genuine meaning than the same gesture between Soviet commissars. Yet it is easy for this kind of thinking to go too far. One can never say *a priori* that emergent goods did not come about through the destruction of other essential human goods. Few would say, for example, that someone who neglects his family in order to advance his career at work has succeeded in bringing his subjective preferences more in line with objective moral norms. No matter how ingenious or disciplined he might be, a broken family suggests that he *coped* with the scars of original sin in a humanly destructive way.

The Boundary Between Trading and Giving

While it can be said that markets assist in the realization of genuinely human goods, in the same breath one must add that markets may not strengthen the ties between subjective preferences and objective values. Christians refer to this restored harmony between the subjective and the objective as “conversion.” What advocates of market processes must understand is that it is in precisely those areas where markets do not function that human conversion and hence, fulfillment, is most likely to occur. There must be a clear line of demarcation between the two.

Economists are quick to point out three areas where markets do not function well: externalities, public goods, and joint production. Externalities, both negative and positive, occur when someone’s action imposes a cost or a benefit on another person. Because the benefits or costs are external to the decision maker, they are not taken into account in the decision process. As a result, resources are misallocated. Pollution is a common example of an externality. The polluting firm may take account of the effect of pollution on its own workers, but not necessarily of the health effects to the residents living near the pollution. Public goods are a similar story. Some goods are not exhausted when consumed by an individual person. When I finish eating a bowl of ice cream, there is no ice cream for anyone else to enjoy, but when I discover a simple cure for the common cold (eat more ice cream), it will be impossible to stop others from curing their colds in a similar way. Researchers are thus more likely to pursue projects that produce enforceable patents than projects that create public benefits that exclude no one. In a different way, the problem of joint production creates an incentive for workers to engage in production that can be easily measured. It is much easier to measure the effectiveness of a quarterback than that of a lineman, because only one person can throw the ball. Quarterbacks stand alone while linemen work as a group. In a market economy where individuals are rewarded based on the value of their marginal productivity, participants shy away from team production even if society greatly values the output of the team. Consequently, young boys imagine themselves as quarterbacks throwing the game-winning touchdown pass before they think about throwing a block that protects the quarterback who makes the pass.

It would be extremely difficult to estimate the degree to which resources in a modern market economy are misallocated because of market failures like those cited above. What can be said is that in a decentralized market economy, the price mechanism will fail to allocate resources in a socially optimal way in a manner proportional to the degree of market failure in the economy. Ordinarily in free markets, the pursuit of one’s self-interest produces the unintended

result of advancing social welfare, but in the case of market failure, personal incentives become incompatible with social well-being. In short, Adam Smith's invisible hand fails to guide correctly. Therefore, some other mediating institution, some "visible hand," must step in to guide activity. Increasingly, governmental coercion of one form or another fills the void.

This fact has important implications for economic personalism. Secular economic reasoning reaches the above result because of its hesitancy to criticize individual subjective preferences. While economists do not necessarily deny that some subjective preferences might be better than others, the discipline offers no ready criterion on which the criticism might be based. This is not the case with economic personalism. The value statement we are reviewing offers several normative criteria by which the effect of individual economic choices might be assessed: human dignity, justice, family, culture, among others. But there is a deeper and more important implication as well. Market failure is more than simply the unintended failure of the invisible hand with which society must *cope*. It is original sin and its consequences that produced the failure in the first place. In other words, markets would not fail to deliver socially optimal results if subjective preferences were more in harmony with objective moral norms. Consider the case of the polluting firm. Management should take into account the effect of the pollution on all people, not just on the firm's workers, because all people are of equal dignity. If management based their production decisions on the health effects of residents nearby, the firm's level of pollution would not go to zero, but it would be reduced to a level where the marginal health costs to all people would be accounted for.

As I mentioned in the introduction, there are institutions whose purpose extends beyond coping with the scars of original sin. That the family, church, and other voluntary organizations can lead to authentic human development is well-known. What has yet to be articulated with sufficient clarity, I believe, is the boundary that separates institutions that *cope* as opposed to institutions that *heal*. Unless this boundary is understood, highlighted, and defended, coping institutions such as the market may overwhelm healing institutions such as the family.

It is not enough to say that voluntary associations like this emerge in precisely those areas where markets fail. The fact is that the family and the wider community came first, not markets. Any ideal of the family must be consistent with what we know of life before the Fall. This is not true of the market or any other coping institution, since they did not exist before the Fall. The essential truth is that genuine human community possesses a kernel of abundance even in a world plagued by scarcity. In genuine human community, there is no need

of trading for mutual benefit, just as there was no need for our first parents to do so. Goods may change hands in a fully human community, but only in terms of gifts. While resources remain scarce, distribution is made according to need and not according to ability to pay. What emerges in these communities is a vibrant *sense of surplus* that has the power to replace the zero-sum neurosis that makes life seem “solitary, nasty, brutish, and short.” Persons who live in communities such as these find their damaged preferences gradually being transformed in line with the objective moral goods that bring human fulfillment.

Though this explanation may seem hopelessly idealistic, the fact is that families do it every day. As a result, they produce the scarcest public good of all: children with a well-developed moral sense. But no family fully realizes this goal. Once market principles of self-interest enter into a healing community, that community begins to behave like a localized market of its own. The grass may get cut and the laundry done, but the sense of surplus that has the power to transform preferences will be lost. Consider the case of the mother facing two children fighting over their toys. To solve the problem, she could assign clear property rights to the toys: “Jim, that truck is yours. Anne, the balloons are yours.” So if Jim wants to play with the balloons, he must strike a deal with Anne to make an exchange. It may well be the siblings will spend less time fighting after property rights have been assigned. The reduction in fighting would be an effective way to cope with the fact that there are not two sets of balloons and trucks. But, on the other hand, if they could learn to share the toys, their preferences would be broadened as Anne learns to take Jim’s needs into account, and vice versa. The latter case is one of healing, even if in the short run the fighting and the tears may be difficult for the mother to endure.

This brings us to what, I believe, is the central issue with the statement on economic personalism currently under consideration. In no place does the statement mention the reality of human suffering and the dignity that can be associated with it. Persons scarred by sin already have seen enough suffering. We are averse to pain whether it is dignified or not. But the fact is that *healing* the wounds of original sin, as opposed to coping with them, is always associated with suffering simply because the healing occurs in a disordered world. When a person bears a personal cost so that a community of giving can remain such a community, all the members of the community are changed, for the better.

On the other hand, market-based solutions are powerfully tempting for a community that has had its fill of suffering. What is required is similar to what happened to Adam and Eve in the Garden: One must narrow the sphere of self-interest and begin to make trades accordingly. What had been a nonmarket zone of giving becomes a market zone that clings to the *Ersatz* virtue of mutually

beneficial exchange. As markets become ever more efficient at reducing human suffering in the short run, the temptation to abandon the noble ideal of human community is likely to overwhelm many. Current demographic trends in family and community life certainly seem to bear this out. Imagine a world where suffering is eliminated but preferences are unchanged. Life would be nothing but one numbing experience after another.

Conclusion: What This Statement on Personalism Can Achieve

When Christians pray the Lord's Prayer, they look for the arrival of a kingdom. Their anticipation is for a complete perfection of all creation, a complete reversal of the damage from every sin. In that kingdom, there will be no economics because there will be no markets. It is not that all prices will go to zero because of nascent abundance, but that prices will be nonexistent because all trading will be replaced by giving. Christians also recognize that it was suffering by the Son of God that gives them this hope of a new world filled with new people.

Though my arguments are consistent with the Christian vision, I hope they will be understood as more than an application of pious Christian hope. My aim has been to explore the fundamental economic problem of value in a wider context, indeed in the widest context imaginable. It is true that subjective economic valuation is essential to preserving the freedom and the benefits of the market. It is also true that objective moral norms exist. What I have tried to show is that it is not sufficient to say that a free-market economy is "not incompatible" with objective values. One must also humbly admit that market-based solutions to human need are, at best, temporary. Only when human beings are transformed from the inside out can authentic human development be realized.

Even economists recognize cases where markets fail. Some would say that the proper role for culture and community is to fill in and correct for missing and malfunctioning markets. This line of argument completely reverses historical fact and the reality of concupiscence brought on by the Fall. In our present condition, subjective preferences are like a compass that no longer unfailingly points to the North. We cannot reach our destination without a correction to our human sense of direction and purpose. Nonmarket communities provide this correction and give us hope for a truly more just economic order. To return to a previous analogy, at best the economy is a football lineman, but culture and community are the quarterbacks. Woe to the society that reverses those roles! Given these observations, I would rewrite the value statement as follows:

Though markets can function efficiently when individual subjective preferences deviate from ontological value, authentic human development

requires communities that, acting through nonmarket means, promote the development of the moral person. Only in an economy vitalized by such persons can a just social order be achieved, no matter what the level of material abundance might be.

Reply to Mark Brosky's "Know Thy Limits: The Noneconomics of Abundance"

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It has been a privilege for me to have the opportunity to read Father Mark Brosky's paper. The task that each of the presenters in this conference was asked to do was not an easy one. Each presenter had to examine one principle in the present form of our "Statement of Principles of Economic Personalism" and attempt to produce an improved version of such principle based on some insight that he found significant to bring to the fore. Father Mark did exactly this, and in his argument he produced for us distinctions that constitute, I believe, a very important contribution to our discussion concerning the communion of markets and morality. For example, Father Mark presents us with a contrast between economic life as we know it, and a hypothesis of economic life in the Garden. Furthermore, he examines the distinction he finds between acts of sharing, and the sage practice of striking a deal in everyday market exchange. Finally, and not of least importance, Father Mark introduces a new distinction for social institutions: that between healing institutions and coping institutions. He has given us in this way much to consider and discuss. I would like to begin, then, with a few observations that are directed at one assumption that underlies the text Father Mark suggests should replace the present definition of value in our "Statement of Principles."

The assumption can be expressed in this way: Subjective economic judgments *can* be replaced altogether by objective moral judgments. Consequently, Father Mark argues that we *should* aim toward this end. He presents scarcity as the inevitable result from man's fall from grace. He calls the market system "a coping institution," since it has served as an efficient vehicle for man to meet his needs in light of scarcity, but the family, which he calls "a healing institution," can bring about a transformation of judgments such that economic