

A Christian Perspective on the Financial Crisis

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Our current financial crisis has provided an opening for some Christian commentators to take cheap shots at the institutions of capitalism, and economists¹. Much of this commentary is unhelpful, and some of it has an almost gleeful tone in the face of real suffering.

The broad outlines of the crisis are a familiar - a credit crisis which spread rapidly and is gradually filtering through to the real economy. Although originating in the US it is now very much an international crisis. Many questions about causes remain, such as the relationship to previous recessions and the business cycle. The depth and duration of the crisis are difficult to predict. As Deirdre McCloskey points out² knowledge of the future direction of markets is valuable and we should not expect such knowledge (if it exists) to be made it freely available by holders of such knowledge, least of all by economists. Problems with institutions and policy settings have been identified but the appropriate responses by governments, regulatory agencies and others remain unclear. I do not think that we are seeing the end of capitalism, and caution about bailouts and new regulation is needed. Just as the 9/11 tragedy led to many hasty and foolish policy responses, so may this crisis. Religious commentators and economists have no privileged access to truth about the workings of the economy. To sort through the mess deal constructively with the issues we need serious theoretical and empirical analysis which economists have the skills to contribute.

As well as doing the technical economics well we must take the opportunity to ask some larger questions about the theological and ethical frameworks in which economic analysis is conducted. Economics separated from Christian theology in the mid 19th century in Britain and in the early 20th

¹ I am not thinking here of the recent and widely publicised comments of Archbishop Robin Williams, which drew him in to controversy with the British Prime Minister Gordon Brown. Williams was making the perfectly reasonable point and that the financial crisis has exposed an idolatry of systems, including the system of economics. He was drawing on the writings of the Christian theologian, Karl Barth, but the point of could have been equally well made and drawing on the Scottish natural theologian and political economist Adam Smith. Especially Smith's comments in Part VI Chapter II of the *Theory of Moral Sentiments* on the "man of system".

² McCloskey, D. (1990). *If You're So Smart: The Narrative of Economic Expertise* Chicago, University of Chicago Press.

century in America³. Since theologically based ethics was the only game in town at that time the separation from theology meant economics lost its ethical framework. The separation of economics from ethics has been less clean than the separation from theology, and economics has subsequently conducted long-term relationships with utilitarianism and certain types of positivist philosophy, along with brief flirtations with other varieties of ethics. Today we are left with a very thin account of economic life as satisfying individual preferences. There is nothing in such an account to provide balance or an overall sense of purpose.

In my view a reconnection of economic and Christian theological discourse would be of great benefit. The main contribution of theology will not come from particular Scriptural passages about greed or usury (although these could be read with profit by some of the participants). There is a great deal of Scriptural material on economic issues, discussed by Professor Levine in his article in this issue of the journal. Some of these themes are further developed in the Christian New Testament⁴.

More important in my view than passages condemning various ethical lapses is reframing economic behaviour and economic analysis within the larger Christian story. Christianity can't be reduced to a set of ethical precepts, and moralising without appreciating the larger theological context can be unhelpful⁵. There is a need also to balance the condemnations with the positive teaching about economic matters.

³ The separation of economics from theology is discussed in A. M. C. Waterman, *Political Economy and Christian Theology since the Enlightenment: Essays in Intellectual History*. London, Palgrave Macmillan 2004 and in my article "Christianity's post-Enlightenment Contribution to Economic Thought" in *Christian Morality and Market Economics* edited by Ian Harper and Samuel Gregg, Edward Elgar 2009.

⁴ I have argued in a recent paper "Economic Language in the Scriptures" presented at the Evangelical Theological Society Annual Conference that many of the key metaphors and models of divine-human interaction in the scriptures are economic - such as redemption, reconciliation, and stewardship. The Scriptural writers are far more involved with and willing to engage with the world of markets than most contemporary theologians. Further good discussion of the economic material in the Scriptures are: Viner, J. "Religious Thought and Economic Society." *History of Political Economy* 1978 10(1): 9-189; Gonzales, J. (1990). *Faith and Wealth: A History of Early Christian Ideas on the Origin, Significance and Use of Money* San Francisco, Harper and Row; Reumann, J. *Stewardship and the Economy of God* Michigan, Eerdmans 1992; and Esler, P. "Poverty and Riches in the Bible and the Third World" in his *Christianity for the 21st Century* Edinburgh, T&T Clark 1998.

⁵ See for instance the arguments of Paul Heyne *Are Economists Basically Immoral? and Other Essays on Economics, Ethics and Religion* edited with an Introduction by Geoffrey Brennan and A.M.C Waterman, Liberty Fund 2008.

The Christian doctrine of creation is an important part of the theological framework for economics, leading us to a proper assessment of human beings, and their creative potential. We need to receive the fruits of human effort and creativity as God's good gifts. Worshipping or rejecting these are equally errors. We need to recognise our accountability to God for the use of creation. The Christian doctrines of sin and the fall complement the doctrine of creation, cautioning us about the presence of evil and about human fallibility. We can expect (but not welcome) economic suffering. Eschatology - or the doctrine of the end - relativises the economic activity in a way which reinforces rather than undermines the value of creative work. We look forward to a cleansing and renewal of creation, not a passing away of the economic activity. Our purposes are continuous with God's creative purposes⁶.

If Christian theology (or for that matter other religious and ethical traditions) have contributions to make, how can they be reconnected with economics? One model for this reconnection is Adam Smith, whose work, unlike much modern economics, was part of a larger theological system. Smith's economics arose from his theology, and its form allowed easy connections to be made with theology and ethics⁷. Another model is the project of recovering Aristotelian philosophical frameworks for economics⁸. Other models are possible - Aristotelian or Smithian systems of theological economics which worked in other contexts may not work well for us. We urgently need to consider the best ways of structuring a new engagement of economics with Christian theology in our current context.

⁶ There are several good accounts of a theological framework for economics, such as Donald Hay's *Economics Today: A Christian Critique* (written by an evangelical Anglican economist who has recently retired from a senior position at University of Oxford) or some of the Papal Encyclicals dealing with economic matters. Journals such *Faith and Economics* (published by the US Association of Christian Economists), and *Markets and Morality* provide further material.

⁷ The argument that Adam Smith is a natural theologian in the tradition of Francis Bacon, Robert Boyle and Isaac Newton is made in a book in progress *Political Economy as Natural Theology: Smith Malthus and their Followers* to be published by Routledge. A workshop sponsored by the Templeton Foundation *Adam Smith as Theologian* was held in Edinburgh in to celebrate the 250th anniversary of the publication of his *Theory of Moral Sentiments*.

⁸ This Aristotelian revival includes the work of Arjo Klamer, Deirdre McCloskey, and Andrew Yuengert. Related are Thomistic reframings of economics, such as currently being undertaken by Mary Hirschfield at University of Notre Dame. Adam Smith had an ambivalent relationship to the Aristotelian tradition, discussed by Gloria Vivenza in her book *Adam Smith and the Classics* OUP 2001 or more recent chapter in Jeffrey Young's *Elgar Companion to Adam Smith* Elgar 2009.