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# **Dutch Christian Economic Thought about the Market**

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## **Dutch Christian Economic Thought about the Market**

### **Abstract**

This paper is not about Dutch Christian political economy. Instead, it focuses on some recent writings of Dutch Christian economists. The objective of the paper is to get an idea of how economic thought in the Netherlands – particularly about the market – is influenced by Christian ethics. The paper will start with a brief summary of (Dutch) Christian ethics, distinguishing four approaches: motivation, values, institutions, and instrumentalism. The next section will review relevant Christian economic literature for each of these approaches, except for the last one, as this does not seem to be reflected in Dutch economic literature. The discussion of the literature will focus on the role of the market in the Dutch economy. One finding is that Christian ethics in the Netherlands has not much influence on economic thought about markets, but more on views about the appropriate role of the state, the family, and civil society. Therefore, the embeddedness of markets tends to be emphasized in the literature, not the ethics of the market itself. The paper will end with a conclusion, in which it is suggested that the dominant view of markets as being embedded in Christian attitudes, values and institutions may imply some contradictions between what is generally agreed to be the core of Christian ethics in the Netherlands, on the one hand, and the ethics of markets, on the other hand.

### **Christian Ethics in the Netherlands**

This paper does not provide sufficient space for a balanced discussion of Christian ethics and in particular Christian ethics in the Dutch context. The focus will be on how Christian ethics has influenced economic thought in the Netherlands, both in terms of economic theory as well as policy implications. Nevertheless, I will try to give a very brief summary, admittedly incomplete, of Christian ethics in the Dutch context, in order to provide the background for the analysis. Very generally, it seems that we can distinguish four approaches.

### Motivation

First, there is the approach focusing on motivation, for example supported by Manenschijn (1989). This approach focuses on the individual agent and the individual freedom and responsibility of individuals in social life. As Barth (1938) has made it clear in his theology, humans are responsible to God and God's Creation and their behaviour is motivated by this responsibility. The relationship with God is the basis of moral motivation, and replaces the role of conscience in non-Christian and/or non-religious moral systems. This responsibility may even be regarded in economic terms as a *debt* to God, referring to the original sin, so that irresponsible behaviour is not just moral weakness but a sin (Schweiker, 1995). Hence, it is not so much the contents of morality – its values and norms – that is typically Christian in this approach, but the motivation that distinguishes Christian ethics from other ethical traditions. This view is also supported by Küng and Kuschel (1993), who have empirically assessed that Christian values largely overlap with the values of other traditions in the Western world, ranging from Judaism to humanism. Indeed, in this approach, Dutch theologians argue that Christianity has no monopoly over a particular set of values<sup>1</sup>. These values are widely shared in and beyond the Western world, as can be seen from the common historical roots of the three Abrahamite religions: Judaism, Christianity and Islam<sup>2</sup>.

### Values

The second approach of Christian ethics that can be found in the Netherlands is concerned with the good life and its core values. In particular, it is concerned with the question of what is the good life in relation to God, following Augustine's thesis that the good life requires that one knows and wills the good (Kruijf, 1999: 24-25). So, this approach to Christian ethics goes beyond the Kantian, exclusively rational, approach to formulating moral rules, focusing on knowing what to do, while ignoring the (weakness of the) human will in actually following moral reason. To the contrary, Christian ethics acknowledges that we, humans, are weak and therefore dependent upon God, not only for learning about the good but also for wanting to be good through our free human

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<sup>1</sup> Here, I follow W.E. Verdonk, in A. Vos and C. van der Zwaard (1988: 126-127), who argued that: "Het is niet eigen aan de Christelijke ethiek octrooi te vragen op bepaalde geboden en handelingen en dat octrooi ten koste van alles te beschermen."

<sup>2</sup> The three Abrahamite religions – Judaism, Christianity, and Islam – have much in common as far as their ethics is concerned. They all have their ethical roots in Greek philosophers such as Plato and Aristotle, and so has humanism. While for Christian ethics, Augustine and Aquinas have reinterpreted classical Greek ethics, Averroes has done so for Islamic ethics (Leezenberg, 2001).

will<sup>3</sup>. In this relationship with God, responsible human beings receive God's mercy and forgiveness, helping them to adhere to Christian values. Moreover, according to Verdonk (1988: 96) the meaning of life resides in the understanding of an ontological supremacy of the good<sup>4</sup>. Hence, this approach is concerned with what Aquinas termed to be the three Christian virtues: faith, hope, and love. A more normative interpretation of the good life focuses on the Ten Commandments, and regards morality as a set of God-given norms, also referred to as the Divine Command Theory of Christian ethics. A less strict normative interpretation of Christian values has a resemblance to the Kantian Categorical Imperative, in the Biblical Golden Rule (Matt. 7: 12), stating that one should "always treat others as you would like them to treat you". So, Christian values go beyond an individual's motivation, as they are shared within a Christian community and underlie each individual's relationship with God. This approach, hence, combines individual responsibility with the recognition of social values which are understood as real and good in them selves.

### Institutions

The third approach of Christian ethics is more practical, and focuses on the moral institutions of Christianity embedded in the Christian community (Kuitert (1992). These are, of course, the Church (in its diversity ranging from Roman Catholicism to various strands of Protestantism), the Bible, as well as related faith-based institutions. The Dutch society has a peculiar tradition of Christian pillars, following the more or less even split of Christian faith in the country between Catholics and Protestants. This tradition was particularly strong during the twentieth century, with each pillar – Catholic, Reformed, Methodist, Baptist and other Protestant denominations, as well as some non-religious pillars such as a humanist one – having its own schools, social and sport clubs, media, political party, trade union, employers' association, and sectoral associations. This has led to a pillarized institutional setting of Dutch society, of which today many pillars still survive, and even new ones are added<sup>5</sup>. Every pillar distinguishes itself from the others by its own denomination, and tolerates that the other ones are doing the same. It is this set of Christian institutions that guides moral behaviour in society, from the private sphere – in particular family

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<sup>3</sup> The idea of a free will, either in an absolute sense or a relative sense, has been forcefully rejected by Nietzsche, who has claimed that the only force that drives human behaviour is a will to power. For a Dutch theological reflection on the difficulty Nietzsche's point posits for ethics in general and Christian ethics in particular, see, for example, A.J. Plaisier (1996).

<sup>4</sup> Consequently, evil is meaningless, it does not lead to anything as it lacks creative power. Hence, evil is not justifiable. But evil does represent power, and continuously challenges the supremacy of the good. So, sin can be understood as the power of evil over an individual's will.

<sup>5</sup> Recently, Islamic schools have been added to the existing pillars, at primary, secondary and tertiary level.

life – to the public sphere – politics and the economy. Common in these institutions is the rejection of a dominant state, but instead the recognition of human beings as free and responsible and as ends in themselves and equal before God (Ghoos, 1982). Therefore, this approach to Christian ethics is largely a social one, recognising the institutionalisation of Christian ethics in social life, providing guidance for individual behaviour. So, the pillar-based institutions replace some roles that in other countries are performed by the state, because they allow for diversity of religious denominations to shape social life according to the particular religious interpretations of each denomination.

### Instrumentalism

The fourth approach, a minority view, is a pure teleological one, in which the hope for eternal life becomes the only purpose of moral behaviour. All moral behaviour is instrumental to this goal, which requires individual sacrifice and may turn life into a pilgrimage, as it was expressed by Augustine and Calvin. This approach requires individuals to closely follow the Biblical guidelines for every sphere of life – family life, social life, as well as economic life. This approach to Christian ethics is sometimes regarded as egoistic because of its exclusive concern with salvation. Afterlife is important in Christianity, as rewards are promised in afterlife rather than in this life (Matt. 19: 29; Luke 18: 22), most Christians believe that these rewards cannot be attained instrumentally. The critics hold that it is only by trying to be good for goodness sake itself, through God's grace, unselfconscious, that will lead to virtue<sup>6</sup>. According to Bernard Williams (1997: 64-65), grace in Christianity meant precisely that "there was no calculable road from moral effort to salvation; salvation lay beyond merit; and men's efforts, even their moral efforts, were not the measure of God's love." But this critique is addressed by referring to eternal life as a life of perfect love for *everyone* which should not be reduced to one's individual salvation. So, although this approach is the most individualist of the four, it does not exclude concern with others.

Although all four approaches can be found in Dutch Christian life, the last one represents a small minority. The other three find support and are often related, that is, are often found in a mix, as for example in a Dutch textbook on Christian ethics by Kruijf (1999). This is, because they all represent a mix of an individualistic and a social level of morality. Hence, in summary, Christian ethics in the Netherlands largely seems to be a mix of the first three approaches mentioned above, in which Christianity is believed to provide (a) moral motivation by the recognition of a

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<sup>6</sup> For example, Jesus spoke against self-conscious goodness in Luke 18: 9ff.

responsibility vis-à-vis God, (b) a set of values and norms to guide one's free will, and (c) a set of institutions that will protect individual members of the Christian community against moral weakness and sin.

### **Christian Ethics and Economics in the Netherlands**

Unlike in the international literature, there is no specific literature on Christian ethics and economic thought in the Netherlands, to my knowledge (for general discussions of the relationship between economics and Christian ethics, see, for example, Philip Wogaman, 1986; Laurence Iannaccone, 1998; Patrick Welch and J.J. Meuller, 2001). But there are various publications by Dutch economists addressing this relationship, or a particular dimension – theoretical or empirical – of the relation between economics and Christian ethics (Balkenende, Kimman and van den Toren, 1997; van Drimmelen, 1998; De Jong, 2000; Becker, et al, 2001; van den Hoogen and Peil, 2003). This section will review some recent contributions to this literature (which is often, but not exclusively, published in Dutch).

Interestingly, and contrary to the international literature, we do not find examples in the Dutch literature supporting the fourth approach of Christian ethics that was distinguished in the introduction: instrumentalism. This is the purely teleological approach in which moral behaviour is regarded as entirely instrumental for individual or collective salvation – or eternal afterlife. Although there is some appreciation of the relevance of this literature (as in Fase, 2005), no Dutch economist to my knowledge has followed in the footsteps of Azzi and Ehrenberg (1975), who extended a standard rational choice model with expected afterlife utility, which was made dependent upon church attendance and religious donations. Nor do we see texts a-la Oslington (2004), who designed a utility function for God who offers a salvation contract, depending on the consumption bundles that individuals choose to maximise. The aversion of Dutch economists against such a rational choice approach is probably related to a shared interest to move beyond a narrow neoclassical model, towards (new) institutional economics or, more generally, towards mainstream economics (Bovenberg and van de Klundert, 1999; Garretsen and Peil, 2001)<sup>7</sup>. Other Dutch economists are not only critical of the ethics of the rational choice approach, but also of the underlying utilitarianism, as it reduces morality to an individual, subjective preference (see, for example, van Staveren, 2005). At a conference entitled 'God in Economics?' that was held in 2004 in Nijmegen, the American theologian William Schweiker (2004) argued that a utilitarian

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<sup>7</sup> For a critique of rational choice explanations of religious behaviour, see Bruce (1993).

interpretation of Christian ethics would go against the very values that Christianity promotes, and therefore, “will not satisfy the soul”. The Dutch economists who were present at the conference seemed to agree with this position. In addition, Schweiker added that it is impossible to gain salvation through our moral acts, as salvation is tied to ultimate ends, which are divine, and not in the hands of human beings. Morality, according to Schweiker, relates to the penultimate ends of human activity and requires us to strive for the good in *this* life (Schweiker, 1995 and 2004).

So, the instrumentalist approach to Christian ethics is not supported by Dutch economists, it seems. Now, what about the other approaches to Christian ethics distinguished in the introduction? For each of these three, we find applications in Dutch economic literature.

### Motivation

In the annual collection of short articles published by the Dutch Royal Society of Economics (Koninklijke Vereniging voor de Staathuishoudekunde) for 2001/2002, theologian Manenschijn reacts to a (partially Christian inspired) pamphlet “Stop the sales of civilisation”, a plea against a further privatisation and liberalisation of the Dutch economy. He argues, referring to Adam Smith, that the market cannot function without an ethical framework. But he goes a step further and claims also that “the functioning of the market as an allocation mechanism and price mechanism is a neutral instrument” (Manenschijn, 2002: 150). In other words, the market has no ethics, it is society in which it is embedded, and the individuals making choices, that provide the ethics for the market to do its neutral work. Therefore, Manenschijn continues, it depends on the motivations of economic agents whether markets will have socially beneficial outcomes or not. Graafland (2000), in a short contribution in a special issue of the Dutch economic policy journal *Economisch Statistische Berichten*, also recognises an important role for motivation, but also acknowledges that in highly competitive markets, actors may perceive a very small range for acting according to moral motives, or they may simply not want to act morally. He therefore distinguishes, following Frey (1997), between intrinsic and extrinsic motivation, arguing that each, in its own way, may contribute to moral outcomes.

A different voice within the same ethical approach focuses on moral motivation of economic agents in a hermeneutic sense (van den Hoogen, 2001; van den Hoogen and Peil, 2001). Here, it is not an individual’s freely chosen motivation in economic decision making that determines market outcomes, but rather a re-interpretation of economic rationality towards *meaningful* choices. Such meaning is not the result of a neutral market mechanism, the authors argue, but occurs jointly with market exchange, in an interchange with social values, so that not only goods and services are exchanged, but also meanings of social values and norms. Hence, this



hermeneutic interpretation of the role of human motivation in economic behaviour rejects a dichotomy between a neutral market and a value-laden society. Moreover, and against Manenschijn's interpretation of Adam Smith, van den Hoogen and Peil (2002) in a paper on the market, argue that human motivation is not merely an individual disposition, ranging from egoism to altruism, but develops in close relation to society. As such, economic actors recognize other actors in markets as also free human beings, deserving respect, as in Smith's notion of *mutual sympathy*.

### Values

Whereas the main Christian values are generally acknowledged to be the three Christian virtues of faith, hope and love, with the ten commandments serving as the normative framework for the behaviour of Christians, other, related, Christian moral norms are sometimes referred to by Dutch economists. In particular, the Sabbath year (every 7<sup>th</sup> year) and the Jubilee (after every 50 year), as can be seen in, for example, de Jong and Klop (2000) and van Drimmelen (1998, chapter 9). In particular, de Jong and Klop recognize the value of justice in the Jubilee, through redistribution of land and property to prevent accumulation by the rich at cost of opportunities for the poor to provide themselves with a decent livelihood. They emphasize that such redistribution should not be implemented as a form of charity, but as enabling the poor to access resources and to make these productive. This is, they remind us, because land is not owned by human beings but belonging to God's creation, over which we have only stewardship. Hence, we have the moral obligation to use creation's resources without wasting these – in which we recognize a Christian notion of efficiency. The market, they argue, prevents that redistribution, such as through debt cancellation for developing countries, will result in inefficiencies. So, redistribution should be used with care, enabling market participation and not allowing for disincentives.

Others, however, refer to values in a more general sense, without making an explicit link to the Christian roots of what are generally referred to as Western values (see, for example, two volumes in the series of publications of the Thijmgenootschap, an association of science and Christian faith: Woldring, 2002, about western values, and de Jong, 2002, about markets and values). Whereas Woldring recognizes four historical traditions of Western values: Greek, Roman, Judaist and Christian, de Jong does not specify the values that are analysed in his edited volume about values and markets. Nevertheless, it is clear that he recognizes the Christian roots of the values that are discussed in the volume that he has edited.

Bovenberg and van de Klundert (1999) do refer specifically to Christian values and norms. They argue that, instead of having a well-ordered preference function, economic agents

are torn between contradictory desires and are therefore vulnerable to temptations. The Biblical norms therefore, provide the necessary countervailing power for such temptations, as they provide a stable guidance for decisions. Moreover, these norms are regarded by Bovenberg and van de Klundert as given and providing a foundation for the economy to function. They come to an interesting conclusion about the relationship between markets and Christian values: whereas competition provides the incentive against moral weakness, they say, Christian norms provide a solution for market failures, reducing free riding, externalities and transaction costs. Hence, in this view, markets are still regarded as morally neutral, they are not perfect and require moral norms to function well.

Values change, and a recent report commissioned by the Christian democratic led government addresses the values and norms in Dutch society today (WRR, 2003). What is striking, is that this report pays very little attention to the relationship between values and the economy. It does mention that market liberalisation and privatisation may undermine values of equality and professionalism, for example in health care (WRR, 2003: 147 and 201). But it does not analyse how and why this would happen, nor the conditions under which such a domination of market values may be prevented, or what such market values would be. Indeed, as Fase (2005) has remarked in a review article on the relationship between economics and religion, the WRR report limits its discussion of norms and values to the private sphere, of the family (in particular the position of women in islamic immigrant communities)<sup>8</sup> and civil society. Instead, he claims that values do influence economic life, and partly through religion, although he admits that the extent of this influence is difficult to identify (Fase, 2005). Conceptually, he refers to the notion of social capital, when he discusses the influence of – religious – values on the economy: “To put it differently,” Fase (2005: 101) says, “religion is often a manifestation of the participatory culture, like in the Catholic Church, which is incorporated into social capital.” Indeed, studies on social capital suggest that Churches in the Netherlands do embody a form of social capital, the effect of which should not be underestimated (de Hart, 2002).

### Institutions

The typical Dutch system of pillarisation is the foundation not only for institutions in religious, social and political domains, but also for many socio-economic institutions. In particular, these institutions partially replace, or at least reduce, the role of the state and support

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<sup>8</sup> A six page section on the position of women in the WRR report is exclusively about Muslim women, and discusses issues as the headscarf, the burqa, and female circumcision. No attention is paid to – indigenous and immigrant – women’s economic position in the Netherlands, or women’s position in other spheres of public life.

the role of civil society in the economy, through self-organisations such as (Christian) labour unions, sectoral associations, schools, employers' organizations, and the Social Economic Council (SER: Sociaal Economische Raad), an advisory body to the government (Balkenende, 1997; Balkenende and Tieleman, 2001). The major Christian political party, CDA, has been constructed around the Christian belief of decentralized responsibility and adheres to this principle till today (de Vries, 2005: 12). A good example of self-responsibility instead of state regulation is in the area of labour market regulation. The poldermodel of tripartite consensus agreement between employers and employees, in which the state takes the back-seat, is responsible for many Dutch labour market outcomes, such as wage moderation, a shorter workweek, and a fast increase in part-time work<sup>9</sup>. These socio-economic institutions clearly reflect the typical Dutch Christian (largely of Protestant origine) values of self-responsibility (rather than top-down interference by the state) and subsidiarity (regulation at the lowest possible level of governance), as van den Toren (1997) has explained.

Parallel to the Christian institutions that make part of the socio-economic governance structure of the country, is another set of intangible Christian institutions, expressed as a coherent set of norms that protect and support traditional family life. The family is generally regarded as the cornerstone of society in all Christian societies, and the Netherlands is no exception. The ideal of the breadwinner and fulltime housewife was realized in the mid-twentieth century, through a combination of a strong motherhood ideology, rooted in the Christian family ethics of the time, and high productivity increases in the flourishing economy, allowing for a family wage, as Plantenga (1993) has demonstrated<sup>10</sup>. The result for the economy was a very low female labour force participation, despite high education attainments for women and, in the 1960s and 1970s, a tight labour market, leading to invited immigration of so called 'guest workers' from Southern Europe as well as Morocco and Turkey. As Plantenga (1998) has argued in a later publication, the pillarized Christian institutions have played a key role in sustaining this traditional family division of labour<sup>11</sup>. In a comparative study of Christian democratic welfare states, van Kersbergen (1995: 175) therefore concludes that "The Dutch welfare system became a

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<sup>9</sup> The Socio-Economic Council (SER – Sociaal Economische Raad) with representations of employers organisation and labour unions, is a key institution mediating the interests between both sides of the labour markets

<sup>10</sup> Until the 1950s there was a law prohibiting women to work for the state when they got married.

<sup>11</sup> "In all probability, pillarisation was extremely conducive (...) the pillars (...) offered channels for communicating attitudes from above, by imposing them forcefully on the whole population. Local level research, especially, makes clear how fine-meshed and interwoven were the relationships between clergy, manufacturers and social institutions, and with how much force the bourgeois ideal of the woman as full-time housewife, spouse and mother was put into practice by means of prohibitions, mutual agreements and continual debate" (Plantenga, 1998: 60).

‘breadwinner’ system *par excellence*”. It was only in the 1990s that this system became less dominant, with a relatively fast increase in female labour force participation, decrease of fertility rates, and increase of the share female headed households<sup>12</sup>. The traditional family, however, never disappeared, but rather transformed from a fulltime breadwinner-with-fulltime-housewife system to a one-and-a-half-earner system. Today, the majority of Dutch women has a part-time job. In the Netherlands, the share of part-time employment for women was 68.6%, compared to 33.5% for the 15 EU member states in 1999 (Plantenga, 2002, table 2).

Compared to other European countries, the traditional family, consisting of a breadwinner and a fulltime or part-time housewife, still receives strong state support in the Netherlands through tax-benefits, other breadwinner oriented policies, as well as relatively low state support for formal childcare. Together, these policies express the traditional family norm about motherhood and women’s responsibility for childcare, a labour of love – either by mothers themselves at home, or informally arranged through (often female) relatives or neighbors, at the relative’s home or the child’s home. Formal childcare is not popular, partly because the limited state support makes it expensive, and partly because the motherhood norm leads to a widely shared disapproval for mothers who work full-time – a phenomenon that is rare in the Netherlands. As a consequence, the intangible Christian institution of family norms results in two major, but often underestimated, economic effects. First, a low labour force participation of women measured in hours, leading to the fact that for the majority of women incomes are insufficient for economic independence (Plantenga, 2002). Second, a high burden of unpaid work for Dutch women for the care for children, the disabled and the (chronically) ill. Data for an index of such unpaid caring shows that the Netherlands has the highest share of self-care (compared to care provided by the state or services offered in the market) among 14 Western European countries. The index is 100% for the Netherlands, against, for example, 67.5% in Germany and 22.9% in Denmark (Bettio and Plantenga, 2004: 88).

A Dutch Christian economist who designed part of an extensive labour market model used by the economic advisory office CPB, has analysed the relationship between the traditional self-care of children by their mothers and women’s labour force participation (Graafland, 2001). In that model, he included an institutional constraint expressing the motherhood norm, by limiting married women’s supply of paid work hours to a maximum of 20 hours per week (for married men, no such constraint was included). In a contribution on Christian norms and the traditional family model in the Netherlands, Graafland et al (2001) defended the traditional model by the

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<sup>12</sup> Female labour force participation increased from 34.7% in 1987 to 51% in 1999 (Plantenga, 2002, table 1).

Beckerian argument of specialization through a household division of labour, creating economies of scale, as well as allowing women to concentrate on “investing in the marriage” (Graafland, 2001: 159), reducing the ‘hold-up’ problem, and finally, a reduction of dependence on the state by mutual insurance in the marriage. An increase in women’s labour force participation, he holds, would lead to a negative externality in the shape of putting pressure on women’s investment in marriage. On the other hand, Graafland acknowledges that the Biblical norm of using one’s talents would favour women’s labour force participation. Indeed, as Wersterlaken (1997: 191), the chair of the Christian labour union CNV (Christelijk Nationaal Vakverbond), has noted, using one’s talents is a Christian moral obligation, as talents are not to be wasted<sup>13</sup>. Comparing the traditional breadwinner model with the one-and-a-half earner model of today’s Dutch family economy, and a third alternative, the dual earner model, Graafland’s analysis leads, not unexpectedly, to a negative evaluation of the dual earner model and a strongly positive evaluation of the traditional breadwinner model, with the one-and-a-half earner model coming close to the breadwinner one (Graafland, 2001, table 2). In a response to this evaluation, van Staveren (2001) has noted that this outcome is not surprising, as the model’s structure already includes a bias against the dual earner situation or an equal sharing of childcare by mothers and fathers, and, because the criteria for evaluation follow the same traditional family norms<sup>14</sup>.

In conclusion, Christian institutions – the tangible ones expressing a decentralized governance structure next to the state and the intangible ones shaping the household division of labour – appear to have an important effect on the Dutch economy and are recognized as such by Dutch (Christian and non-Christian) economists. Most Dutch Christian economists reviewed in this paper refer to (Christian) institutions as having an important and positive influence on the economy. As a consequence, they often take a new institutional perspective in their analysis of the relationship between Christian ethics and economics<sup>15</sup>. In this perspective, reference is made to incomplete and implicit contracts, transaction costs, bounded rationality, moral hazard, social

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<sup>13</sup> See the parable of the talents (Matt. 25: 14-30).

<sup>14</sup> Other normative features of the model concern for example, joint household utility with a first-mover approach: men make their choices of labour supply first, women adapt; the treatment of unpaid work as generating positive utility for the care giver, (no negative utilities for the care giver and no positive utilities for others); and the assumption that there is no trade off of childcare with leisure time but the modeling of childcare as leisure time. See for an analysis of this model from a feminist perspective of care, van Staveren (2005b).

<sup>15</sup> The roots of institutional economics, going back to old institutional economics of Thorstein Veblen and others dating back to the early twentieth century, tends to be ignored. Van de Klundert (1999) is rather negative about old institutional economics, regarding it more as a critique of neoclassical economics than as providing insights of its own. He says that old institutional economics “stresses the importance of institutions, but insufficiently formulates a theory, if any at all” (van de Klundert, 1999: 133). At the same time, however, he approvingly refers to ‘Veblen goods’ in his discussion of institutions affecting consumption, in his paper with Bovenberg (Bovenberg and van de Klundert, 1999: 451).

capital, and intrinsic motivation. Institutions are understood as reducing the costs of markets and market failures, as complementary to the function of markets. Competition itself is not regarded as problematic but as necessary and inevitable in an increasingly globalized world (Bakker, Horsten, and Kimman, 1997; Goudzwaard, 2004). Moreover, competition is regarded by some authors not as morally neutral but as fair and just, as is reflected, for example, the title of a paper by Bakker, Horsten and Kimman, 1997, ‘Competition: Necessary, Fair, and Just’. In that paper, competitive markets are regarded as fair because they provide equal opportunities, and as just because they support individual responsibility and freedom. Hence, the authors state, ‘the market is a good mechanism for the production and distribution of goods and services’, while they add that this will only be the case when the market is embedded in a setting that promotes justice, responsibility, and solidarity. This view, however, assumes a one-way relationship between values and markets. It largely overlooks the reality in which competition may affect these very values, and subsequently, institutions, that enable the functioning of markets, in particular through the accumulation of market power through mergers and acquisitions, asymmetric bargaining power between capital and labour in a world in which capital is more mobile than labour, the creation of market segmentation through product differentiation and marketing, and the greater volatility of perfectly competitive markets compared to regulated markets (particularly expressed through price fluctuations – see, for example, Lichtenberg, 2001).

The role of the state in the Dutch Christian institutional analyses is ambiguous. Whereas the state is viewed as an institution whose power should be balanced by civil society’s self-organised, decentralized institutions – the pillarised system of self-responsibility and subsidiarity<sup>16</sup> – the state’s resources are structured in such a way that they limit individual dependence on the state but at the same time support the traditional family structure to carry out its responsibility of self-care for dependents, through a gender division of labour in the household. Similarly, the role of the market is ambiguous. On the one hand, the market is regarded as the appropriate domain for realizing one’s talents and to gain economic independence, while on the other hand this view is strongly gendered, which leads to a high share of women’s work being done outside the labour market, unpaid, with low hours spent in the labour market and high economic dependence of women on men. Apparently, there are normative limits to the role of markets in the Christian institutional perspective.

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<sup>16</sup> This norm of subsidiarity was introduced by the 19<sup>th</sup> century Christian politician Abraham Kuypers, and was first mentioned in Catholic Social Thought by Pope Pius XI in 1931, in his *Quadragesimo Anno* (see also Klamer, Dolsma and van den Braak, 2005: 8-9).

## **Conclusion**

In all three approaches to Christian ethics, the market tends to be regarded as either a morally neutral institution, or as benign or even good. Almost all authors reviewed here favour the market over the state, while most authors recognize that the market may have negative outcomes if it is not embedded in the Christian normative framework of motivations, values, norms, and more generally institutions. Only van den Hoogen and Peil cast doubts over this neutral/positive view of the market, suggesting that meanings are just as important as material exchanges, or sometimes more important. This general picture that emerges from this literature suggests a consistency between the three Christian ethical approaches discussed in the introduction, and the Christian economic literature: the ethical notions of individual and pillarised responsibility, motivation, moral weakness, the values of equality, freedom, and love, and the notion of subsidiarity all have a place in the economic literature discussed in this paper.

But here I would like to raise the point whether this is indeed such a consistent picture. Isn't there some confusion between the values of individual responsibility and freedom on the hand, and the competitive forces of markets – leading to winners and losers – on the other hand? Isn't it a bit of an illusion to assume that well-functioning markets will automatically exhibit fair competition, denying that firms and individuals will try to secure future earnings by accumulating market power and creating entry barriers for competitors? And isn't it wishful thinking, perhaps, to believe that fair competition is good for everyone, including those left out of markets due to a lack of endowments for exchange or under macroeconomic conditions that result in limited demand for one's skills during periods of high unemployment? Let me illustrate my point with reference to a paper by de Jong (2001) on international capital markets, a paper in which the author is much in favour of full capital market liberalization, except for some developing countries with an underdeveloped banking system and ineffective financial policies. According to de Jong, free international capital markets are to be preferred over state regulation. In the international literature evaluating the Asian financial crisis, however, economists who otherwise strongly favour free markets (in trade of goods and services) appear to agree on the need for restrictions in the case of capital markets (Bhagwati, 2004; Stiglitz, 200?). They favour regulation and constraints in the case of international capital flows, because they recognize that this market is largely driven by speculation, not enhancement of production; vulnerable to devastating psychological effects of herd behaviour leading to bubbles and bursts; and backed up by the powerful interests of what Bhagwati names the Washington-Wallstreet-Complex of IMF, the US

Treasury, and the New York Stock Exchange creating moral hazard in the case of financial crises, shifting risks to small scale entrepreneurs, the unemployed and generally the poor in developing countries. Indeed, Bhagwati and Stiglitz, together with many other neoclassical, mainstream, and heterodox economists, acknowledge that, at least in the case of international financial markets, the most perfect market there is, markets are not benign, nor neutral. Apparently, markets, even the most perfect ones, cannot deliver all the moral goods we want, such as freedom, justice, responsibility and love.

In conclusion, whereas Dutch Christian economic literature appears to fit well with the three major approaches to Christian ethics that are adopted in the Netherlands, it seems to ignore that embedding markets in a Christian normative framework will not be sufficient for ensuring that markets contribute to the realization of the moral goods of freedom, justice, responsibility and love. Whereas the literature reviewed above recognizes a relationship from Christian motives, attitudes, values and norms to the functioning of markets, it does not acknowledge that markets have an inherent tendency to affect and sometimes undermine these values, precisely because of the overriding dominance of competitiveness via prices but also through intentional acts of non-price competition by agents who have either no choice in a market dominated environment or choose to secure future market shares.

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