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Biblical Choice Model: A St. Augustine-Inspired Approach to Behavioral Economics

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Approval Sheet

Biblical Choice Model: A St. Augustine-Inspired Approach to Behavioral Economics

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Dedication

To the Lord God Almighty from whom all blessings flow. Thank you for granting me the grace to do this.

Also, to my late father, Distinguished Professor of English Language and Linguistics, Professor Adebayo Joshua. Thank you so much for being the best father in the world. Couldn't have done this without you, even though you did not wait long enough to see me complete this. I love and miss you. Keep resting in the bosom of our Lord and Savior.

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Abstract

Economics as defined by Lionel Robbins (1932), is a science which studies human behavior as a relationship between ends and scarce means which have alternative uses. While human behavior relates to how wants and desires are coordinated given decision-making mechanisms, social customs and political realities of society, the natural end of individual human actions should be *eudaimonia* (human flourishing). However, since sin has affected both our emotive and cultural plausibility structures, thereby leading to a distortion in our wants and desires and ability to desire the good, this has led to a generation that is self-ruling, self-creating and self-evaluating. The disorder in desires caused by humanity's sinful nature is an aspect that economic decision-making mechanisms/systems cannot capture.

The research will expound a biblical approach to economic behavior that embraces the work of Augustine. It will integrate insights from behavioral economics and ground them in a robust ethical framework such as the one provided by Augustine. It will seek to show how we can develop a more comprehensive understanding of economic behavior that promotes true human flourishing.

Introduction

The problem of Christianity and culture is of immense importance and relevance. As the church reflects on its responsibilities relating to contemporary political issues and economic growth and development, a faithful, biblically-based theology of Christianity and any area of culture must rest on some key fundamentals: a proper view of creation, providence, the image of God, sin, the work of Christ, salvation, the church, and eschatology. Every conversation today around Christianity and culture must fall under these key fundamentals for it to be considered biblically sound. While some contemporary views on Christianity and culture have argued that the church and Christians need to withdraw from the broader culture, others have argued that Christians need not do so. Instead, they should be involved in the different spheres of cultural pursuits and take up such pursuits joyfully, living out the implications of their Christian faith through them. One area of focus in the contemporary conversation around Christianity and culture lies in economics.

Since the Enlightenment, God has been gradually removed from modern economic thought. According to Douglas Meeks, by removing God from modern economy, some economists thought they had eliminated the last vestige of coercion which was the way the state used God's concept to dominate humanity.[1] This has therefore created what C.B. Macpherson called "possessive individualism" of the modern market society.[2] An economic system where the "individual" has been radically separated from the community. The doctrine of God, however, demonstrates that God is not a radical individual but rather a community of persons

[1] Douglas M. Meeks, *God the Economist: The Doctrine of God and Political Economy* (Minneapolis: Fortress Press, 1989), 10.

[2] C.B. Macpherson, *The Political Theory of Possessive Individualism* (New York: Oxford University, 1962).

who find unity in self-giving love rather than in subjectivist principles of identity.[3] This is the reason Christian theology must urgently juxtapose God and economy. According to Meeks, the egalitarian thrust of God's economy in the Torah and the Gospels was to free the nation of Israel, the church, the household of the nations, and the household of creation from domination. It is to free humanity from the economic concept of scarcity.[4] If the righteousness of God is present, there will always be enough for the welfare of everyone.

The Bible does not provide a plan or model of economics, but it provides a perspective and criteria for evaluating economies and a framework for accepting personal responsibilities for economic views, actions, and decisions.[5] According to Clive and Cara Beed, deriving and applying economic and social principles from the Bible has characterized select Protestant endeavors over the years as they seek to relate normative biblical teaching to current issues especially as it concerns political economics.[6] This methodology has been claimed within theology to constitute the only reliable means of relating Christian thought to socioeconomic issues.

The Old and New Testaments provide profound insights for our culture today. A close look at the vision or model of society described in the Old Testament shows that it is uniquely relevant because of its highly integrated nature. Diverse types of relationships and themes of public policy worked in harmony rather than in competition to create an equitable and just

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[3] Meeks, *God the Economist*, 11.

[4] Ibid., 11-12.

[5] Norman K. Gottwald, *The Hebrew Bible in its Social World and in Ours* (Atlanta, GA: The Society of Biblical Literature, 1993), 362.

[6] Clive Beed and Cara Beed, "The Nature of Biblical Economic Principle and its Critic," *Journal of Faith and Economics* no. 59, 31-58 (Spring 2012): 31.

society.[7] The nature of economic justice mandated in the Old Testament necessitates an examination of the actual biblical economic systems in that time. According to Norman Gottwald, Israel's economic system was developed out of an Egyptian-Canaanite tributary system and, in time, developed its own tributary economy where a minority of the people at the top lived off the labor of the majority. This moved Israel from a communitarian society to a capitalist economy, the economic model of the 21st century.[8]

At the root of the Christian faith, according to James K. A. Smith, is what we love and what and whom we desire.[9] Economics, as defined by Lionel Robbins, is a science which studies *human behavior* as a relationship between ends and scarce means which have alternative uses.[10] While human behavior encompasses the coordination of wants and desires through decision-making mechanisms, social customs, and political realities, the natural end of individual human actions should ideally be eudaimonia, or human flourishing. However, sin has profoundly impacted both our emotional and cultural plausibility structures, distorting our wants and desires and impairing our ability to desire good. This distortion has resulted in a generation characterized by self-rule, self-creation, and self-evaluation. The disorder in desires caused by humanity's sinful nature is a fundamental aspect that current economic decision-making mechanisms and systems fail to capture. While the rational choice model focuses on how individuals satisfy their wants based on a bundle of preferences, it fails to recognize that people do not act rationally all the time. Indeed, behavioral economists have argued that humans often

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[7] Guy Brandon, *The Jubilee Roadmap: Finding Our Way in the 21st Century* (Cambridge, UK: Moreton Hall Press), 6.

[8] Gottwald, *The Hebrew Bible in its Social World and in Ours*, 349.

[9] James K. A. Smith, *You Are What You Love: The Spiritual Power of Habit* (Grand Rapids, MI: Brazos Press, 2016).

[10] Lionel Robbins, *An Essay on the Nature and Significance of Economic Science* (Macmillan & Co., 1932).

make decisions that are not rational. Cognitive biases, emotions, and social influences frequently lead to choices that deviate from the rational agent model.

For Christians, the normative vision of economics should align with Christian confessions and virtues. As stewards of the earth made in the image of God, Christians are called to consider economic life in light of their faith, which involves ordering desires so that only the good, which is God, is ultimately desired. This perspective influences the daily economic life of believers and their interactions with the world and prevailing culture around them. Since the material ordering of even mundane tasks reflects and shapes the desires of our hearts, believers and the church should engage in economic transactions in a manner distinct from others – one informed by virtues such as charity, justice, and generosity. By living according to God's economy amidst the worldly economy, Christians can demonstrate an alternative way of handling material goods. This exemplary behavior could inspire others to adopt similar economic practices, thereby promoting a more just and compassionate economic order.

Over the years, Christians have often made the mistake of believing that social and economic problems can be solved by gaining access to the levers of state power and enacting the right laws and policies. However, French philosopher Gilles Deleuze asserts that "politics precedes beings," arguing for a "micropolitics of desire" to bring about social and economic change.[11] Likened to grassroots politics, micropolitics involves organizing through extending relationships, connections, and collaborations, beginning with a transformation in individual desires. This raises an important question: might the church pursue a strategy capable of changing individual desires within the life of the church? Micropolitics addresses the very

[11] Gilles Deleuze and Felix Guattari, *Anti-Oedipus: Capitalism and Schizophrenia* (Minneapolis: University of Minnesota Press, 1983), 145-62.

motive power that drives human beings: desires. If human desires can be redirected towards more ordered desires, could this impact the way we approach economics? Could it lead to a better appreciation of the *imago Dei* -- love for God and others -- thereby fostering human flourishing? This perspective suggests that real change begins at the individual level, shaping desires in a way that aligns with Christian virtues and ultimately influencing broader social and economic systems.

Most often, when the history of economics is discussed, Adam Smith (1723-1790) is called the founder of economics. John D. Mueller, however, argues that Smith rendered economic theory incomplete and made it incapable of describing human behavior adequately.[12] Mueller contends that Smith reduced economics to mere exchanges, neglecting the broader social relationships that define our humanity and distinguish us. According to Mueller, this reductionist view has dominated economic theory from Smith's time to the present, limiting its ability to fully capture the complexity of human behavior and social interactions. Contrary to Mueller's critique, it can be argued that Smith's work actually acknowledged the social and moral dimensions of economic behavior. In *The Theory of Moral Sentiments*, Smith explored the role of empathy, moral judgments, and social relationships in shaping human actions. This work complements his more famous *The Wealth of Nations*, where he focused on the mechanisms of the market. Joseph Schumpeter in his *History of Economic Analysis* argued that it was not until the work of John Stuart Mills in 1848 (*Principles of Political Economy*) that Adam Smith was crowned the founder of economics.[13] According to Schumpeter, the history of economic thought started from the records of the national theocracies of antiquity and the history of economic

[12] John D. Mueller, *Redeeming Economics: Rediscovering the Missing Element* (Wilmington, DE: ISI Books, 2010), 1.

[13] Joseph A. Schumpeter, *History of Economic Analysis* (Oxford, UK: Oxford University Press, 1954), 182.

analysis began with the Greeks.[14] With the Greeks, Schumpeter noted that Aristotle was to be credited for entirely developing an analysis for economics.[15] He further asserts that after Aristotle, there was a period he refers to as the "Great Gap," a period between the death of Aristotle and the Scholastic era of the Middle Ages where Thomas Aquinas (1225-1274) is credited for his immense contribution to economic analysis. It was within this period's systems of moral theology and law that economics gained a definite existence, according to Schumpeter.

Properly viewed, economic theory should be the product of human reasoning, reflecting on common human behaviors and maintaining a relationship with biblical revelation. Thomas Aquinas exemplified this approach by seeking to develop a proper understanding of economics in his time. He provided a comprehensive view of human economic actions by categorizing them into four distinct areas: production, exchange, distribution, and consumption. This framework, known as Scholastic economics, aimed to integrate ethical considerations with economic activities. However, Joseph Schumpeter argued that Aquinas' approach to economic analysis was strictly Aristotelian. While Aristotle did distinguish between production and exchange, he did not differentiate between distribution and consumption, which are key components of Aquinas' theory. Schumpeter's interpretation raises important questions. If Aquinas' theory is strictly Aristotelian, how did he arrive at four categories instead of two? Where and how did Aquinas develop his theory of utility? These questions invite further exploration into Aquinas' sources and methodologies. By integrating insights from Augustine, who emphasized the role of divine grace and moral order in human affairs, Aquinas was able to extend and refine Aristotelian economics to address the ethical dimensions of economic activity. Augustine's

[14] Ibid.

[15] Ibid.

influence on Aquinas underscores the importance of aligning economic theory with a broader moral and spiritual framework, reflecting a vision of economics that promotes human flourishing in accordance with Christian teachings.

The aim of this research will be to demonstrate the transformative impact that following Christ can have on the economic lives of His disciples and how this influence can be reflected in economic thoughts and systems. To achieve this, the research will first delve into the history of economic thought, examining how various thinkers have incorporated Augustine's explanation of desire and the proper ordering of desires towards the good. By understanding how Augustine's insights can shape our economic lives and choices, we can explore their potential to influence the global economy. Additionally, this research will highlight how these principles can depict humans as relational beings, emphasizing the importance of our relationships with God, ourselves, and others. This holistic approach aims to show that a Christ-centered economic framework not only fosters individual and collective well-being but also aligns economic practices with the deeper, relational nature of humanity as envisioned in Christian teachings.

The research will expound a biblical approach to economic behavior that embraces the work of Augustine. It will integrate insights from behavioral economics and ground them in a robust ethical framework such as the one provided by Augustine. It will seek to show how we can develop a more comprehensive understanding of economic behavior that promotes true human flourishing. The first chapter explores the significant transformation within the field of economics, shifting from a normative science which prescribes what ought to be based on moral or ethical standards to a value-free science that focuses on what is, devoid of any moral judgments. This transition underscores a broader intellectual movement away from incorporating the transcendent or spiritual dimensions into economic analysis and decision-making. Despite

this secularization of economic thought, the chapter argues that Late Modernism as a prevailing intellectual stance within the discipline inadvertently continues to operate on the remnants of Christian ethical and moral principles. The discussion suggests that although explicit references to Christianity and its transcendental values have been systematically excised from the economic discourse, the foundational ideas and ethical underpinnings derived from Christianity still influence economic thought and practice today, albeit in a more subdued or unrecognized form.

The second chapter of this study will undertake a comprehensive exploration of the evolution of economic thought, tracing its development from the philosophical inquiries of ancient Greek thinkers through to the contractual theories of the seventeenth century. This chapter will delve into how economic ideas were initially intertwined with broader philosophical discussions among the Greeks, examining the contributions of seminal figures such as Plato and Aristotle. It will then chart the progression of these ideas through the medieval period, highlighting how economic considerations were influenced by religious and ethical perspectives during this time. Further, the chapter will explore the transition to early modern economic thought, focusing on the significant shift that occurred with the emergence of contractualism in the seventeenth century. This section will discuss how thinkers like Thomas Hobbes and John Locke redefined economic principles around the notions of social contract and individual rights, setting the stage for later developments in economic theory.

The third chapter will study the significant contributions to economic thought from Enlightenment thinkers, focusing on philosophers such as David Hume, Jean-Jacques Rousseau, and Adam Smith. This chapter will critically analyze their theories within the broader context of Enlightenment ideals that emphasized reason, individualism, and the questioning of traditional doctrines. In addition to exploring these Enlightenment perspectives, the chapter will compare

these ideas with the anthropological and theological insights of Augustine on human behavior and his social ontology. Augustine's profound reflections on the nature of love and its implications for human existence and societal organization will be thoroughly discussed. His conceptualization of love as the ultimate purpose of creation offers a foundational framework for understanding human motivations and actions. This discussion will include Augustine's views on the proper orientation of love – towards God, oneself, and others – and the consequences of disordered love. By examining what Augustine identifies as the objects of love, this study will offer deeper insights into the underlying motives driving human actions. Furthermore, a comparative analysis will be conducted between Adam Smith's concepts of sympathy, the impartial spectator, and the "all-seeing eyes" and Augustine's views on free will, desires, and justice. This comparison will illustrate how Smith, despite often being viewed primarily in the context of secular economic theory, incorporated significant theological elements into his work. The juxtaposition will highlight the similarities and differences in their approaches to virtue, morality, and social relations, shedding light on how each thinker perceived the role of inherent human tendencies in shaping economic and social landscapes.

The fourth chapter will show how economists beginning from the nineteenth century sought a culturally and morally neutral social science – an approach to economics that was normative but not teleological. It will also show how the adoption of scientific methods relegated moral considerations and how economics adopted a value-free scientific methodology. This chapter will also show how the institution of economics which is now regarded as "secular" is paradoxically related to a shift within theology rather than an emancipation from theology.

The fifth chapter will evaluate the rational choice model and the expected utility theory using the inside-out approach of Mark D. Allen and Joshua D. Chatraw. It will also examine why

behavioral economics argues for the need for psychological reflections in economic considerations. Daniel Kahneman and Amos Tversky were the first to advocate for other considerations to be considered in creating economic models because human economic choices exhibit several pervasive effects that are usually inconsistent with the basic tenets of the utility theory.[16] This chapter will examine what behavioral economists have to say about human behavior and important psychological ramifications associated with this. It will also provide a critique of morality postulated by the behavioral model. It will seek to argue that most of the responses put forward by the behavioralist are merely disguised by self-interest. This is because any morality devoid of a higher purpose or telos is simply a means towards satisfying human desires which are often distorted. Finally, a biblical choice model will be developed using Augustine's holistic anthropology and utility theory which adequately explains human behavior and how to deal with the issue of want and scarcity in making choices. It will examine Augustine's observation that every human always acts with some person or persons as the ultimate end. It will show that choice cannot be discovered solely at the individual level but within a social discourse. It will also show that, contrary to the view that Augustine's focus was otherworldly, it was world-affirming and shows that a theological model permits the construction of the mythos of a sovereign power capable of building the bridge between human intentions and social outcomes. The final chapter will conclude this study by discussing how habits affect our economic choices and shape us into certain kinds of worshippers. It will also provide suggestions on the church's role as more than just a spiritual community, but both a *polis* and *oikos*.

[16] Daniel Kahneman is an Israeli American psychologist and economist and the recipient of the 2002 Nobel Memorial Prize in Economic Sciences. Amos Tversky was one of the world's leading experts in judgment and human decision making and challenged economic theory by arguing that people most often do not behave rationally to maximize their welfare. He also received (postmortem) the 2002 Nobel Memorial Prize in Economic Sciences.

Chapter 1

Background

The Bible does not provide a plan or model for economics, but it provides the evaluative criteria and framework for viewing economic models, systems, decisions, and actions. Christians over the years have sought to relate the normative teachings of the Bible to issues in politics and economics of their times. Christian thinkers such as Thomas Aquinas and the Magisterial Reformers laid strong emphasis on moral considerations in organizing economic life or the social order. Non- Christian Greek thinkers and philosophers such as Plato and Aristotle also held firmly to a pursuit of what is good and just in ordering a society more than pursuing social efficiency. For all these thinkers, one thing was common - an existence of a universal *telos* for humanity. While the Christian thinkers held on to a transcendent purpose for human existence, the Greek philosophers upheld a universal *telos* limited to this earth. Whether transcendent or immanent, the idea was that the chief end goal was human flourishing. Adam Smith fondly considered the "father of Economics," argued that the only way we can achieve a just society was not through pure reasoning because humans have passions as well as are sympathetic to the plight of others when making decision. Appealing to natural law, he argued that everyone has an innate sense of the divine even though he did not ascribe to it religion or the Christian God but was skewed more towards Stoic thinking.

The Enlightenment however saw a move from the premodern thinking of the existence of a universal *telos* to a more mechanical universe, a move from a normative to a value-free scientific way of approaching economics. Moral reflections as it relates to making decisions (economic decisions) was relegated to a more personal and individualistic level as opposed to the way the social order was created. The normative-positive dichotomy as expounded by Smith

based on both his appeal to natural law and his sympathy for Hume's philosophical skepticism and empiricism gave way to a fact-based approach to economics. What this therefore meant for late modernity was that human behavior could be purely explained through reason. With the separation of virtue/value-based economics from fact-based economics, the "economic man," known as *homo economicus* was born – a model that portrays humans as purely and consistently rational beings who make decisions solely based on their cognitive faculties, mainly driven by self-interest with the ultimate goal being the optimal maximization of utility. Economic models as well as policy suggestions are therefore based on this model. Starting with Jeremy Bentham until this day, mainstream economic theory has therefore relied on the assumption that economic actors are purely self-interest agents. While this approach to developing economic models may seem effective and efficient, there are downsides to holding this assumption as the only way of predicting human behavior. This is because the assumption reinterprets even the most altruistic motive as based on self-interest rather than sympathy for others. By neglecting other motives for human behavior, this assumption ignores any connection that may exist between economics and religion. Human behavior is however more complex than to be reduced to self-interest alone.

Deeply embedded in the pre-sixteenth century economic life of people were moral reflections. Pre-modern economics originated unconsciously within the subsets of ethics. The concept of economics as a mathematical-allocative science developed post-Smith's *Wealth of Nations*. Economic theories are embedded in stories. The reductionistic approach to economics that views it as simply a rational-choice model does the discipline a disservice when it comes to explaining the world and a description of how people live. It crowds out other useful considerations that can enhance the study of human resource provisioning. According to Robert J. Shiller and George A. Akerlof, the way the human mind is built is to think in terms of

narratives, therefore, much of our motivations as humans stem from living through stories – stories about our lives, the ones we to tell to ourselves – all these creates a framework for our motivations as humans.[17] Joshua Chatraw notes that humans are narrative creatures more than relying on abstract logic or isolated facts and thus a narrative approach frames logic and evidence in a way that creates a larger vision of reality and spur the imagination.[18] Tomas Sedlacek therefore argues that our contemporary economic theories based on rigorous modelling are nothing more than metanarratives simply retold in mathematical language,[19] to therefore view it as a positive science that is value-neutral robs it of its deeper meaning. According to Sedlacek, "it is a paradox that a field that primarily studies values wants to be value-free….or a field that believes in the invisible hands of the market wants to be without mysteries.[20] As a result Deirdre McCloskey suggests that contemporary economists "need a serious rethinking of their scientism and sneering dismissal of ethics"[21] as they view economics. How then should we view economics in such a way that we do not overemphasize the mathematical while neglecting the human side which then leads to an evolution of lopsided models, like *homo economicus*, that are most often incapable of understanding or explaining reality? Charles Taylor suggests that we view our social reality in terms of a "social imaginary" which is much broader and deeper than the intellectual schemes we entertain when we think about the world, but instead how people imagine their social existence, how they fit together with others, their expectations and the

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[17] Robert J. Shiller and George A. Akerlof, *Animal Spirits: How Human Psychology Drives the Economy and Why it Matters for Global Capitalism* (Princeton, NJ: Princeton University Press, 2009), 51.

[18] Joshua Chatraw, *Telling a Better Story: How to Talk about God in a Skeptical Age* (Zondervan Reflective, 2020), 57.

[19] Tomas Sedlacek, *Economics of Good and Evil: The Quest for Economic Meaning from Gilgamesh to Wall Street* (Oxford: Oxford University Press, 2011), 5.

[20] Ibid., 7

[21] Deidre N. McCloskey, *Bettering Humanomics: A New and Old Approach to Economic Science* (Chicago: University of Chicago Press, 2021), xi.

deeper normative notions and images that underlie those expectations.[22] According to Taylor, our social imaginary at any given time is complex, this is because it incorporates a sense of normal expectations we have of each other and the kind of common understanding that enables us to carry out the collective practices that make up our social life.[23] This kind of understanding according to Taylor is both factual and normative thus buttressing McCloskey's argument that economics should be both seriously quantitative and seriously qualitative and should be an entire human science[24] instead of the artificial models we have today. Interwoven in the facts and norms is also an idea of how things ought to be and according to Taylor, implicit in our understanding of the norms is the ability to recognize ideal cases, but beyond the ideal exists some notion of a moral or metaphysical order which helps make sense of the norms and ideals.[25] The problem is however that our current social imaginary, as we have it today, seeks to construe meaning and significance of the world without any reference to the divine or transcendence. It views the social space that frames our lives entirely within the natural order. Taylor calls this the "immanent frame"- the circumscribed space in the social imaginary that precludes the divine.[26]

We are in a secular age as Taylor calls it, an age of skepticism, mostly dominated by the prevalence of varying degrees of relativism. The Christian proposition that there is more to the good life than people being simply tolerant of one another or not being hurtful seems difficult to explain to the world, but the Christian story carries a powerful moral message which is the Lord's commandment to love one's neighbors as oneself. This shows the relational nature of

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[22] Charles Taylor, *Modern Social Imaginaries* (Duke University Press, 2004), 23.

[23] Ibid., 24.

[24] McCloskey, *Bettering Humanomics*, xii.

[25] Taylor, *Modern Social Imaginaries*, 24-25.

[26] James K.A. Smith, *How (Not) to Be Secular: Reading Charles Taylor* (Grand Rapids, MI: Eerdmans Publishing, 2014), 4.

God depicted in the relationship of the Trinity which calls the church into both a vertical and horizontal relationship – a relation with God the Father, God the Son and God the Holy Spirit and a relationship with others. Such relationship therefore means that the church ought to love and invest in relationships that are directed towards both the Christian community and the world as a whole. This is based on the church's held believe that all of humankind is made in the image of God and as such, there exist an integral equality of dignity and worth enjoyed by all of humankind. This awareness of human dignity and worth has been echoed by the world especially from the twentieth century and hence the development of various human rights organizations. While human rights activities were in response to the terrible violation of human dignity through policies that humiliated and annihilated some people groups, Samuel Gregg argues that there are good reasons for us to be concerned today about the extent to which the language of human rights is presently employed to bolster a range of policies that actually undermine human dignity.[27] Nonetheless, the juridical and philosophical recognition of human rights activities reflects a widespread acceptance that all humans have inherent worth and dignity irrespective of race, economic status or religion. What this tells us about our reality is that the Western world's moral sensibilities, whether it admits it or not, are still running off the fumes of the Christian story. Tom Holland, in Dominion, examined how the ethos and morals of Christianity have permeated all aspects of western thought and culture, even influencing those who consider themselves today, secular.[28]

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[27] Samuel Gregg, *Economic Thinking for the Theologically Minded* (Lanham, MD: University Press of America), 4.

[28] See Tom Holland, *Dominion: How the Christian Revolution Remade the World*. First US edition (New York: Basic Books), 2019.

The recognition of this worth and dignity brings up the subject matter of justice, which is rendering to people what rightly belongs to them. While the secular world can and does enforce a social order that meets the demands of strict justice and solidarity, Samuel Gregg argues that such orders are temporary and morally empty.[29] This is due to the fact that it constitutes an affront to human dignity because it denies the crucial elements of individual human right reasoning and free choice which are central to the good life.[30] The pursuit of justice however meshes well with Christianity's understanding of justice because it is derived from the relational character of God and it also provides the crucial elements for individual right reasoning as well as free choice. This is because solidarity is a virtue that must be carefully cultivated and consciously practiced and only when there exist the room to freely choose can a human person interiorize spiritual and material goods and grow towards ultimate happiness and flourishing, which is becoming one with God. The Christian commitment to justice and its affirmation of the inherent worth and dignity of all persons must therefore force it into constantly reexamining the character of the social order in which it is in and prompt the willingness to create/mirror a social order where people are free to participate in every sphere of social life, including the socioeconomic dimension. The question this therefore raises is how can Christianity contribute to the ordering of this economic dimension in such a way that transforms humans from what "they are" to what "they ought to be" thus bringing about true human flourishing?

Adam Smith provides an answer to this question, albeit incomplete. In his *Theory of Moral Sentiments*,[31] Smith seems to imply that the fact that justice helps society, reflect the "wisdom of God." According to him:

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[29] Ibid., 5

[30] Gregg, *Economic Thinking for the Theologically Minded*, 5.

[31] From now will be referred to as TMS.

> "When by natural principles we are led to advance those ends, which a refined and enlightened reason would recommend to us, we are very apt to impute to that reason, as to their efficient cause, the sentiments and actions by which we advance those ends, and to imagine that to be the wisdom of man, which in reality is the wisdom of God."[32]

In distinguishing efficient cause from the final cause Smith further argues that the human nature is simpler and more agreeable when all its different operations are deduced from one lone source or principle.[33] This single ground therefore provides the ground for justice and the enforcement of the laws of justice by punishing those who violate them. How does man know how society ought to be rightly order? Smith argues that nature has built in the human consciousness a natural love for society and a desire for union of humankind. As a result, man is pleased with the orderly and flourishing state of society and delightfully contemplates it while he is averse and bothered at whatever causes disorder and confusion. However, the pursuit of society's interest for Smith is connected to man's own interest and so the preservation of his existence is dependent on the preservation of the society. Here Smith seems to echo Hume's view on utility through sympathy[34] which we will discuss later in this study. With Smith's teleological language, can we infer that he is appealing to a providential God and religion to support his claim that society and markets can work themselves out in a way that leads to human flourishing? Samuel Fleischacker in seeking to understand the implications of Smith's work for future times notes that the religious language used by Smith to back up his empirical explanations in TMS may simply be a rhetorical flourish, or a nod to the conventions of the time, or may be intended to allow the religiously inclined reader to see how his secular, empirical explanations of human nature are compatible

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[32] Smith, *The Theory of Moral Sentiments*, 87.

[33] Ibid.

[34]Hume, *Enquiry Concerning the Principles of Morals*, iii

with the belief in the existence of God.[35] Whichever is the case, it is widely known that Smith was not an adherent of any religion and his empirical explanations were not premised on the belief in God neither did he leave the source or principle of any human nature or society to mysteries or explain them via miracles. What this leaves us with is a search for a real explanation of human nature as it relates to efficient and final causes.

In a post-Christian Era, it is uplifting to see that that the Christian story has been and has still been deeply ingrained into our moral ideals and longings. It is also worth noting that our culture is still captivated by imaginative stories that point to our inherent desires and longings thus the need to tell a better story and what other story can be better than the Christian story – the story that explains all other stories. The story that is aware of human depravity and also aware of humanity's obligation to seek justice and form bonds of solidarity for and with the marginalized.

Despite these echoes of the gospel story in every sphere of human existence, the church continues to struggle with how to intellectually grapple with the problem of building genuine humane relationship with the world and especially providing an alternative way of viewing economic systems that is grounded in a proper understanding of the human person and behavior. In reflecting on this issue, many have either fallen into the error of accepting a Marxist's dialectical materialist methodology while others have tried prudentially to understand the economic behavior of the human person from a genuinely Christian anthropology. While secular economists have provided several theories to support an understanding of the human economic behavior - these economists have by no means done groundbreaking work in the study and understanding of the human person and economic behavior in relation to how to achieve a

[35] Samuel Fleischacker, *On Adam Smith's Wealth of Nations: A Philosophical Companion* (Princeton, NJ: Princeton University Press, 2004), 44-45.

society where humans can thrive better and flourish. There has been a huge tension especially in late modernity balancing what the supposed outcomes of their work should be with reality. That is, despite the massive ongoing development in the field of economics, humanity today is confronted with the negative by-products of these developments. While modernity and late modernity emphasize the need for further economic development as a way of solving some of society's problem, poverty and unemployment have seen an unprecedented increase over the years despite the concurrent expansion in wealth. In the United States for example, the percentage of people in poverty increased from 11.3% to 13.5% between 2000 and 2015 according to the US Census Bureau. Also, in 2019 income inequality in the US reached its highest level in 50 years according to the Census Bureau, with the GINI index[36] increasing from 38.6 in 1968 to 48.4 in 2019. Despite the statistics, economic theory still posits that a rise in the standard of living leads to economic growth and flourishing due to an increase in people's buying power. If this is true, why then is there not a proportionate increase in human flourishing during these times of unparalleled prosperity? Why is unemployment, income inequality, child poverty, unstable global ecosystem, etc. on the rise? This is the paradox in which the world finds itself today and what this suggests is that modern and late modern developments create problems that late modernity itself is not capable of resolving hinting at the possibility of a deep tension operating within late modernity. Bob Goudzwaard and Craig G. Bartholomew state that the invasion of modernity into contemporary life, thought, technologies and economies in society and culture is not a value-neutral phenomenon[37] as contemporary economists like us to think. For

[36] The Gini index (coefficient) is based on comparing the cumulative proportions of a country's population against the cumulative proportions of income they receive in a year. It is used to measure the dispersion in income or wealth.

[37] Bob Goudzwaard and Craig G. Bartholomew, *Beyond the Modern Age: An Archaeology of Contemporary Culture* (Downer Grove, IL: InterVarsity Press, 2017), 10.

them, modernity brings with it, its own mentality and spirituality and to be able to understand the modern mind and the paradoxes stated above, including why and how people make decisions (not just economic decisions), there is the need for a willingness to understand the mental and spiritual forces driving modernity.[38]

This mental and spiritual force is Taylor's *social imaginary* which had been mentioned earlier. For Taylor, an ideal society will be one in which individual purposes mesh and in which each person in furthering himself helps others. John Locke noted that God gave the world to humanity in common for industrious and rational use and not for fancy or covetousness, therefore, the act of a laborer ought to be able to improve the labor of another.[39] This is the picture of an ideal society, a society where mutual service is seen in terms of profitable exchange. Where "economic" (that is, peaceful, ordered, productive) activity becomes the model for human behavior and the key to harmonious co-existence.[40] This ideal society stands in stark contrast with our economic reality even though Smith asserts in his *Wealth of Nations*[41] that through the "invisible hand" mechanism, the search for individual prosperity translates into general welfare. If this is true, why do the paradoxes mentioned above exist? Despite the groundbreaking work done in the field of economics, why has that not led to the kind of human flourishing and general welfare that we crave? Are there any alternative ways of understanding human behavior that can help economic analysis and policies achieve greater human flourishing, i.e., reduce scarcity of resources and alleviate poverty?

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[38] Ibid.

[39] Locke, *Two Treatises*, II, chapter 5, para. 34, p. 222.

[40] Taylor, *A Secular Age*, 167.

[41] From now will be referred to as WN.

Contemporary economic analysis focuses on studying exchanges that go on in the markets on an impersonal level, however, as mentioned earlier, there is a current shift to understanding the nature of the market through understanding how humans make daily decisions (economic decisions). With a rise in the study of economics from a human behavioral perspective, so much research has been done both from secular and religious perspectives. The idea that understanding why people make the choices they make or act in certain ways, will lead to a better way of allocating economic resources has been embraced as the future of the study of economics and building economic models. Most economists, philosophers and psychologist are beginning to advocate for a return to Smith's model of sociality, which incorporates the desires, passions and sentiments of humans into economic models. From a Christian perspective, there have been attempts to incorporate Scripture's view of the nature of humanity into understanding human economic behavior. Most studies refer to Thomas Aquinas in conversation with Smith to recover the normative aspect of economics that seems to have been relegated. While Thomas Aquinas developed the basic elements of economics, there has however been one important pre-modern thinker and early Church father that has been left out in all these conversations. That person is Augustine of Hippo (AD. 354-430). Augustine offers clear and challenging guidance on economic issues, but despite his immense contribution to theology from his own time until present, Christian economists do not often refer to him on economic matters. Augustine in my study of his works as it relates to economic issues provides a comprehensive body of thought on economic justice that connects human choices to moral development.

In providing a robust and comprehensive view of human economic behavior, Aquinas synthesized the work of Aristotle and Augustine. While the contributions of Aristotle to economic thought and theory are still very much recognized today, Augustine's thoughts have

been conspicuously absent. What this has therefore done to economics is a reduction of human behavior to simply exchanges thus neglecting the essential factors and motivations that affect humanity's actions, choices and decisions. Augustine provides us with a holistic anthropology, that views humans as not just rational beings, but moral, cultural, desiring and worshipping beings who love and desire to be loved. His works on *Confessions*, *The City of God*, *On Freewill*, and some of his *Letters* provide a social ontology that when integrated into the current behavioral model can lead to an advancement in human flourishing through a more effective and efficient way of allocating resources. While this research does not intend to transfer Augustine in his entirety to the modern economic theory, it seeks to show the areas of his ontology that can be useful for our current economic climate.

The purpose of this study is to expound a biblical approach to economic behavior that embraces the work of Augustine. By emphasizing a creation-fall-redemption perspective, the research seeks to show how Christian engagement in the field of economics serves as a means of building the kingdom of God and anticipating the new heaven and the new earth. It will also seek to clarify that while Christianity's engagement with economics or any cultural activity is important, it must also be distinguished from the coming kingdom and the hope of a new heaven and a new earth. In this regard, St. Augustine will provide a helpful trajectory to follow.

Literature Review

The primary text for this study will be the Augustine's *City of God*. This is because here Augustine provides us with a mature vision of how Christians ought to exist within the world. With the sack of Rome, the nature of Christian existence became an important theme for Augustine and his contemporaries. Augustine was concerned with showing that man is a created being, redeemed by Christ and argued that the Christian religion provides the best context and

program for achieving blessedness[42] and human flourishing. He tried to map out a theological anthropology and corporate spirituality relevant for the church on a pilgrimage here on earth and used the scripture as his main source to show the level of commitments and obligations required of man in both his political and socio-economic interactions. To understand human economic behavior therefore requires an understanding of how humans exist in relation to self, to one another and to their group. How Augustine defines a society, and its goals and essence will provide this study with an insight on why people behave the way they do, and this will be compared with how secular economists and sociologists understand and explain human behavior. Augustine provides us with a robust social ontology that serves as a better tool in predicting human behavior, especially in some strategic situations. Even though he denies any existence of salvific value outside of the grace given to men through Christ, he emphasizes the importance of truthfulness in forming communities, hence he affirms the value of secular institutions in the society and what that means for Christian morality. According to him, earthly virtues still point to the supernatural both in their essence and in their end even though only the Christian virtue points to God as its ultimate telos. In Augustine's words, "in the most wealthy and renowned empire of Rome, the great value of civic virtues, even without the true religion, in order that it might be understood that, with this religion added, human beings become citizens of another city, whose king is truth, whose law is love and whose limit is eternity."[43]

This research will also seek to explore the theory of fairness and social preferences from a behavioral economics perspective to show that while indeed there exist some form of virtue in

[42] Jonathan D. Teubner, *An Analysis of Augustine of Hippo's The City of God Against the Pagans*. Macat International Ltd,, 2018.

[43] Augustine, *Letter* 138: 17, The Works of Saint Augustine: A Translation for the 21st Century, *Letters* 100-155, Roland Teske S.J., trans., Boniface Ramsey, ed. (New York: New City Press), 235.

secular institutions, completeness and true human flourishing can only exist when there is a relationship between the worship of the Christian God and personal integrity. According to Augustine, anyone who claims to be a believer and professes the Christian teaching and observes its precepts should out of love for God perform whatever the country demands as it relates to welfare. This is because good Christians ought to produce good citizens which should translate to the prosperity of the earthly city. He further argues that while Christian virtue is useful for the proper ordering and prosperity of a society, order and prosperity are not the proper end.

In the absence of a proper end therefore, irrespective of how virtuous a secular institution might appear, all that remains, more often than not, is the sheer arbitrary power of one will against the other. It is therefore impossible to discuss the theory of fairness and social preferences without also examining the concept of freedom. From a free market ideology, freedom is conceived as the absence of external inference. Here, there are no common ends to which desires are directed and so in the absence of external coercion, two parties only enter into exchanges that are mutually beneficial if the transaction is bilaterally voluntary and informed. Freedom in a free market economy therefore hinges on the insistence that exchanges are voluntary and informed without any form of external interference. Augustine in *On Freewill*, however provides a classic source of Christian reflection on freedom. For Augustine, freedom is more complex than the mere absence of external interference, but instead a capacity to achieve certain worthwhile goals, chief of which is the return to God. But man can never attain this freedom if left alone, Augustine argues that man can only be free by being liberated from his false desires and being moved to desire rightly and this is established by grace. Therefore, while Smith in both his *Theory of Moral Sentiments* and *Wealth of Nations*, will empirically argue for a universal and purely natural society of men, Augustine argues that a universal and purely natural

society of men cannot be attained without a universal religious society. What this means is that even civil virtues, as proposed by Smith, without Christianity are still vices. Augustine however did not condemn earthly virtues in their entirety but notes that even earthly virtues point to the Supernatural both in their essence and their end, even though only the Christian virtue leads to an ultimate telos – which is God.[44]

Why is this study important? Joseph Schumpeter in his *History of Economics* argued that religion or theology is constitutionally unable to influence economic analysis.[45] What this means is that holding a theological position should not matter or influence the work of analysis and thus in understanding the completeness or realism of human behavior, we need not bring religious elements. This study therefore seeks to explore the interweaving of religion and economics by approaching the discourse of economics through the lens of Christian morality. This is based on the conviction that a holistic concept of economics should integrate the theory of human behavior with the theory of empirical reality in a way that allows economic policies to address the most fundamental needs of humanity. But if the motive for human behavior is simply confined to self-interest, how can economic policies effectively address human needs? I argue that the ideological foundations of economic thoughts and analysis were grounded in Christianity. I will also demonstrate that we live in stories and therefore like Taylor, understanding human behavior requires an understanding of the "social imaginary" in which we

[44] See Augustine, *City of God*, Book V:15-17. Augustine, in discussing the earthly reward accrued to earthly virtue notes that God grants the Roman leaders reward for their good arts, which is, the virtues by which they strove to attain such an impressive glory (even though he considers it a vice when he discusses Cicero's *On the Republic*, in 14-15 of the same book [this might be the reason why this was referred to as splendid vices – a term Augustine never used in his work]). However, according to him, while their actions are good and commendable, the only way to the heavenly city was true piety, such that offers religious service – what the Greeks call *latreia* – only to the one true God.

[45] Joseph A. Schumpeter, *History of Economic Analysis* (New York: Oxford University Press, 1954), 28-32.

live. Using the Inside-Out Apologetic approach as developed by Joshua Chatraw and Mark Allen,[46] I will offer an evaluation of Smith's economic system which was based on conforming to a complex arrangement of moral principles and a pursuit of self-interest using Augustine's thought in *On Christian Doctrine*, which discusses God's relationship with humanity. This evaluation will show how Smith's account of sympathy, the impartial spectator and the "all-seeing eye," filters the human passion to create a virtuous economy and how Augustine provides a better explanation through the lens of Scripture. I will also demonstrate that Augustine's holistic anthropology offers a broader explanation of human economic behavior, which may help refine and deepen the understanding of economic interactions within contemporary economic theory. By incorporating Augustine's insights into the nature of humans as both spiritual and material beings, it is possible to achieve a more comprehensive understanding of economic motivations and decisions. In Augustine's perspective, economic behavior is not solely driven by rational self-interest, but also profoundly influenced by moral and ethical imperatives. This nuanced view challenges conventional economic theories that predominantly emphasize efficiency and utility.

Humans as Rational Optimizers Vs. Worshippers

There are several ways people act and several choices people make that seem inconsistent with rationality or the economics' rational choice model. Modern economic theory presents an idealized model of behavior, fundamentally based on the assumption that individuals always make choices that maximize their benefits or optimize outcomes. Modern economists base their theory on the fictional concept of *homo economicus*, a rational and self-interested individual.

[46] In their apologetics book, *Apologetics at the Cross*, Joshua Chatraw and Mark Allen develop a practical and gospel centered approach to apologetics called the Inside Out method – an approach that is both gospel-centered and other-centered.

Richard H. Thaler, comparing this fictional creature to real humans (*homo sapiens*), argues that people often "misbehave," meaning they do not always act rationally. This discrepancy leads to economic models frequently making inaccurate predictions, sometimes with serious consequences.[47]

While no doubt, the model of economic behavior based on *homo economicus* has flourished and allowed economics to get to the pinnacle of influence, there are several problems with this model because humans are not fictional creatures but real people, who live in a real world and have hearts and minds. Thaler identifies some problems associated with the economic model: firstly, the optimization problems that people face in making day-to-day decisions are often too hard for them to solve;[48] secondly, contrary to the assumption of the model that people make informed and unbiased decisions when it comes to making choices, there however exists a remarkable variation in the values and beliefs of people around the world. People have been shaped differently by their social, religious, and traditional backgrounds and thus think and act differently. Therefore, the beliefs upon which people make their choices, are often biased,[49] thirdly, there are several factors that the optimization model cannot account for, and therefore leave out,[50] since those factors are considered irrelevant, but in real life, real humans consider those factors relevant.

The purpose of the study is not to argue for the death of the invention of abstract models that help describe human behavior, but to argue that they should not be the sole model on which policy decisions that affect humans are made. Rather, they should be a useful starting point for

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[47] Richard H. Thaler, *Misbehaving: The Making of Behavioral Economics* (NY: W.W. Norton and Company, 2015), 4.

[48] Thaler, *Misbehaving*, 6.

[49] Ibid.

[50] Ibid.

the development of more realistic models that acknowledge the existence, relevance and experiences of humans. This is because humans have passions – longings and desires – while *homo economicus* on the other hand is simply a cold-blooded rational optimizer who is not motivated by altruistic desires but solely self-interest. This study therefore argues for the need to include humans in economic theories as there is the likelihood that this will improve the accuracy of predictions made with the existing theories. Any model that will be able to accurately describe human behavior most be injected with a strong dose of anthropology, psychology, but more importantly theology. While secular behavioral economists build their conceptual framework for understanding human behavior from evolutionary anthropology, this study offers a different framework based on Christian anthropology and argues that the best and indeed the only way of understanding why humans have passions and why they make the kind of choices that they make is because God exists, and he created humanity in his image. The study will therefore offer a critique of the rational choice model – based on the utility theory - as a descriptive model for understanding decision making as well as present a critique of the secular behavioralist economic model and instead develop an alternative model, called the Augustinian choice model. Based on Augustine's concept of love, he provides real explanation of the human nature as it relates to efficient and final causes.

The seventeenth century philosopher, Rene Descartes defined the human being as a thinking thing (*res cogitans*). Descartes definition created an intellectualist model that reduced humans to mere intellect and human behavior, according to James K. Smith, "to a little syllogism in the head, where humans think their way through the world."[51] The result of this as asserted by

[51] James K. Smith, *You are What you Love*: *The Spiritual Power of Habit* (Brazos Press, Baker Publishing Group) 2016.

Smith is the relegation of the overwhelming power that habits have in shaping human behavior. Smith therefore argues that at the root of our humanity is what we love and what and whom we desire and while early economic thinkers of the Scottish Enlightenment moved away from the Hobbesian thought of building social theory mainly on the rational calculation of self-interest to an economy based on desire with the natural impulses of benevolence and sympathy, the humanist element of their thought was colored by Machiavellian thinking – where the focus is not on what the 'proper' object of desire should be, but instead on the promotion of desire itself and how the process can be manipulated and controlled.[52] Adam Smith on the other hand argued that desire for gain had a lot to do with vanity and comfort-seeking and thus developed an image of 'man', known as *homo mercans* – a fictitious figure engaged in a constant struggle to match persuasively his own desires to the desires of others in a manner that is most advantageous.[53] What this meant was that the center of human decision making was not to be found in the heady regions of the intellect, but in the gut-level of the heart and that was why Adam Smith argued that it will be a great mistake to attribute to reason what belonged to sentiment.[54] While this may seem very the Augustinian, the problem with man as *homo mercan* was that sovereignty had been transferred from God and the sacred to the human and secular.[55] This is because for Smith, 'pure benevolence' could only be attributed to a non-dependent being, which is God, but humans had to take account of the more self -interested virtues of propriety which required habits such as economy, industry, and discretion.[56] What this created for political economy according to John

[52] John Milbank, *Theology and Social Theory: Beyond Secular Reason*, 2nd ed. (Oxford, UK: Blackwell Publishing, 2006), 30-33.

[53] Ibid., 33.

[54] Smith, *Theory of Moral Sentiments*, 125.

[55] Milbank, *Theology and Social Theory*, 27.

[56] Adam Smith, *Theory of Moral Sentiments*, Part Iv, Section 1, 445-6

Milbank was a new secular aesthetic detached from its transcendental link with the True and Good and instead the creation of an economy endlessly balancing human passions based on the laws of demand and supply and turning this into the object of desire.[57] When the object of desire becomes distorted, what is left is a social and economic order that is self-ruling, self-creating and self-evaluating, bearing the marks of *libido dominandi*, which is the great lust for power.

The modern economic man grew out of the need to translate self-interest into public welfare. As a result, early economic discourse originally belonged to the realm of theodicy, an attempt to vindicate God in the face of evil in the world. The idea/concept of division of labor as a means of reconciling both self-interest with public welfare as expounded by Smith, was already in existence through the works of various theologians. Therefore, Milbank argued thusly:

> There was no point in time at which a theological or metaphysical thesis got translated into a scientific and empirical one, no Bachelardian 'epistemological break.' The only change was a relatively trivial one, from ascribing design to a transcendent God, to ascribing it to an immanent nature. The 'scientific discovery' of the division of labor as a means of reconciling individual and public interest had already been made by the natural theologians and Smith only elaborated the idea with more technical precision.

If humans are not primarily thinking beings but desiring beings, the best way to understand human behavior is to listen to ancient voices who did not fall prey to the modern reductionism as we have it today and no ancient voice captures the holistic picture of the human person as well as Augustine. In his *Confessions*, Augustine begins by pinpointing the epicenter of the human identity when he stated that: "you have made us for yourself and our hearts is restless until it rests in you."[58] Within this statement, Augustine, according to James Smith, opens with a design claim - a conviction about what humanity is made for. This is very important, because it

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[57] Milbank, *Theology and Social Theory*, 34. This is because the new 'classical' beauty identified seemed consistent with the inner consistency and harmony of the operations of utility.

[58] Augustine, Confessions

recognizes that human beings are made by and for the Creator, and to be a human, therefore means "to be for something, directed toward something and oriented towards something."[59] Also in that one statement, the seat of humanity's longings and desires is revealed, the heart. Smith argues that the language of the heart should not be equated with some sort of emotivism, but instead should be thought of as the fulcrum of the most fundamental longings – "a visceral, subconscious orientation to the world."[60]

Based on locating the center of humanity's teleological orientation in the heart, Milbank would argue that political economics must rest on the conviction that creation is peaceful, abundant and sacramental. This he describes as "Augustine's vision of the ontological primacy of perfection."[61] So while Adam Smith and secular behavioralists will argue that self-interest leads to virtue, Milbank argues that Christianity's belief in a God of love and power whose creations partake in these qualities and belief in trusting God and the real goodness in the world He created, leads to the virtue of charity as opposed to idealistic moralism. Therefore, for Christians, the clearest and profoundest realism is having a faith that is true to life and an authenticity that arises from the assumption of plenitude which becomes our confidence in the power of God. This according to McCarraher is in direct opposition to the skinflint wisdom of modern economics which states that "economics is the science which studies human behavior as a relationship between (given) ends and scarce means which have alternative use."[62] This is because, as stated by McCarraher, Christians can say that they always live beyond their means,

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[59] Smith, *You are What you Love*, (Screen 8 of 1 – part 1)

[60] Ibid.,

[61] Eugene McCarraher, "The Enchanted City of Man: The State and the Market in Augustinian Perspective" in *Augustine and Politics*, 269.

[62] Lionel Robins, *An Essay on the Nature and Significance of Economic Science* (Auburn, Alabama: Mises Institute, 2007), 15.

because there is really no other way they can live.[63] The way to live in virtue as asserted by Augustine is through worship, without which there can be no other virtue.[64] Milbank therefore notes that the Christian worship returns everything back to God, hangs onto nothing and disregards any finite accumulation which always engenders conflict.[65] What this means is that creation is not just abundant, but it is inherently sacramental also and meant to be an offering to God.[66]

The material world reflects the imprint of its Creator, so all human desires and longings, expressed through material goods, carry the mark of a gracious and all-sufficient God. Christians according to Augustine should therefore cease to be self-sufficient in the face of scarcity, but rather be good at first receiving from the all-sufficient God and, then, acting excessively out of the abundance/excess he has provided.[67] Milbank identifies three important virtue for the believer: faith, hope and charity with the greatest being charity.[68] Understanding human behavior from Augustine's perspective and providing an alternative way to solving some of the current economic challenges the world is facing requires taking into account all three virtues and Christianity can achieve this through the ritualized sacraments of the church most importantly the Eucharist which is a unique way of bearing God's presence and his efficacious means of grace by which receptive expectations are cultivated.[69] This shifts how economics is viewed from

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[63] McCarraher, "The Enchanted City of Man," 269.

[64] Augustine, *City of God*, XIX 4, 21.

[65] John Milbank, *The Word Made Strange: Theology, Language and Culture* (Oxford, UK: Blackwell, 1997), 230. Here Milbank argues that "confident worship also knows that in offering it receives back, so here the temporal world is not denied, but its temporality is restored as gift and thereby rendered eternal."

[66] See Aleksandr Shmeman, *For the Life of the World: Sacraments and Orthodoxy* (St. Vladimir's Seminary Press, 2018)

[67] Ibid., 231.

[68] Ibid.

[69] McCarraher, "The Enchanted City of Man," 270

the realm of rational optimization to the realm of worship. For this to happen however requires the church to not just view itself as an exclusively "spiritual" community, but as Augustine noted, a heavenly city on pilgrimage through the world. This means that the church ought to become both a *polis* and an *oikos* whose way of life according to McCarraher, if followed seriously, can have revolutionary consequences for the discipline of economics.[70] This does not however mean that the church should become apolitical instead James Smith explains that seeing the church as a polis is not to posit it as some sort of otherworldly island in the midst of the nation-state but rather to resist the temptation to see only the earthly city as political, thereby ceding politics to the habits and disciplines of the state.[71] While this study is not focused on politics, there is however no way to have an economic discourse without involving politics.

While it may look like a lot of economic progress is being made around the world, Victor Claar and Greg Forster argue that this prosperity is nothing but a "hollow prosperity."[72]Economic policy debates today around the world are gradually shifting from being dominated with technical questions to being fueled by moral anxieties and this has provided the opportunity for behavioral economists to get seats around the policy making tables. This is because to understand human economic behavior requires thinking about cultural and moral questions because human actions are shaped at the deepest level by culture and morality. In order to understand the nature of people's behavior and how theology can once more be at the center of economic discourse, this study will begin by tracing the history of economic thought from the Greek philosophers to modern economic thought and analysis and gradually progress to examine

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[70] Ibid.

[71] James Smith, *Awaiting the Kingdom: Reforming Public Theology* (Grand Rapids, MI: Baker Academics, 2017), 55.

[72] Victor V. Claar and Greg Forster, *The Keynesian Revolution and Our Empty Economy* (Switzerland: Palgrave MacMillan, 2019), 16.

the anthropological and theological underpinnings of Augustine's thought, the development of his own economic thought, use his thoughts to critique both the modern economic thought/model as well as the behavioralist model and how his thoughts can be useful for economics today. The idea is not to resurrect old social models that have passed away, mostly for good, but the idea is to argue against the indifference of modern economic theories and systems to moral categories.

This study will examine how the conscious indifference of economic thought toward moral categories beginning from the Enlightenment has facilitated an unconscious adoption of economic thought that actively promotes disordered loves and desires. According to Claar and Forster, a refusal to think about virtue and a higher telos in economics has made it possible for an unknowingly adoption of economic structures that actively shape people into selfish and materialistic economic actors.[73] This study therefore hopes to introduce a new vision for building an economic model, not based on the modern economic view of humans as decision-making machines whose actions are the outcome of conscious deliberations, but a model that views humans as a community of solidarity, who have longings and habits but most importantly bear the image of God and therefore oriented toward a telos.

[73] Claar and Forster, *The Keynesian Revolution and Our Empty Economy*, 6.

Chapter 2

History of the Interconnection of Economic Thoughts and Theological Ideas

Section I: Introduction

The desire to understand human economic behavior is as old as the desire to understand all other aspects of life. Philosophers through the ages have painstakingly sought to understand the various web of relationships through which exchange occurs. From Socrates to Plato to Aristotle and so forth, every stage of civilization has had its own philosophy of economics and a few of those will be examined in this chapter. Claar and Forster identified four basic but key observations about human nature central to economic thought that transcends the various stages of civilization, namely: work, property, exchange, and division or specialization of labor.[74] John Mueller expounds these stages into four broad categories necessary for a complete explanation and understanding of human economic behavior, namely final distribution, utility, production, and equilibrium.[75] Interwoven in these observations/categories, according to premodernity, were moral imperatives that were generally assumed and not questioned because the human actions were generally considered both normative and teleological; as a result, the way people behaved was measured more in terms of right and wrong rather than freedom of expression or individual preferences. It was impossible to describe human action and behaviors outside of the moral universe, hence the Greek philosophers thought mostly in terms of human flourishing within the community, with the community or *polis* superseding the individual. Unfortunately, the opposite exists with late modernity's economics. Rather than human flourishing and moral dialogue,

[74] Claar and Forster, *The Keynesian Revolution and Our Empty Economy*, 24.

[75] John D. Mueller, *Redeeming Economics*, 20.

satisfying individual preference and output generation are the parameters for measuring what is right.

It is pertinent to recognize however that moral dialogue or the concept of moral virtue as espoused by the Greek philosophers was not based on any religious ideologies. A reason why philosophical inquiries flourished among the Greeks, according to Edd Noelle and James Halteman, was because of their view that the gods were not particularly invested in the natural world.[76] While they believed in the existence of a telos for humans preordained by some higher force or transcendent being, this being was absent from the natural universe and as such humans had the responsibility to carry out a full inquiry of life's telos and understand how that purpose should be lived out individually and communally. This notion of the existence of a human telos meant the need to focus particularly on matters of equity and justice as it relates to how people behaved and interacted with each other within the polis. Therefore, from the ancient Greek philosophers and scholars all the way through the late Middle Ages, the pressing questions around economics and economic life were about issues of meaning and purpose. With pre-Enlightenment thinkers, therefore, it was impossible to fully engage in the political or economic enterprise without encountering God or the divine. Frequent moments of vestigial rituals and contemplations were inescapable, and a sense of the existence of a transcendent was present in not only the sphere of politics and economics but in humanity's entire social practices. For example, the guilds, who were what we would refer to today as labor unions, maintained a ritual life and a devotion to community prayer. According to Charles Taylor, going farther back into human history presents archaic societies, where distinctions between religion, political, economic, social and different aspects of society ceased to make sense because religion was

[76] James Halteman and Edd Noelle, *Reckoning Markets*, 15-36.

everywhere and thus interwoven into everything else such that it could not constitute a separate sphere of its own.[77]

There was, however, a downside to the ordering of these societies: social structures were organized in such a way that limited access to power and leadership. The elite class of decision makers, which made up a minute percentage of the population, controlled the social order and thus political and economic decisions were made by a small group of the population. For instance, Plato believed that an ideal society had to consist of different classes, each with different innate abilities, and justice could only be assured if each class performed their own job and mind their business.[78] According to him, while some people possessed the innate ability for craftmanship, others possessed the ability to be Guardians of the state, while others had the ability to maintain social order. Aristotle disagreed with Plato, arguing that Plato's view of justice and ideal society obliterated individualism. But a participatory form of Athenian liberty was also capable of degenerating into an abusive disregard for rules of personal conduct.[79] Instead, he advanced a middle way: the idea of proportional equality.[80] This idea argues that societies are made up of different classes, with contributions to society varying in significance and value, not based on any innate ability but mostly conditions of birth. For example, a person born into a wealthy family is most likely to be well-educated and can therefore contribute more to society than a working-class/uneducated person. The problem with this argument, according to Vic George, is that this type of proportionality in equality compounded the problem of inequality

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[77] Charles Taylor, *A Secular Age* (Cambridge, MA: Harvard University Press), 2.

[78] Plato, *The Republic*, Book IV

[79] Vic George, *Major Thinkers in Welfare: Contemporary Issues in Historical Perspective*, 5.

[80] Saunders, *Aristotle*, 298-99

in a society rather than reduced it.[81] Douglas C. North et al. argue that irrespective of the class system considered above, as long as control of social order lied in the hands of a few people, the system was able to protect its dominance because elites in each area protected each other's turf.[82] A rejection of this kind of class dominance led to revolts experienced in the Middle Ages, the most important of which being the Protestant Reformation, which revolted against religious decisions being controlled by a small group of religious elites (the popes) and consequently the corruption that grew out of their dominance.

The birth of the Reformation in the early sixteenth century and a more individualized kind of faith being promoted caused a shift in the religious climate and the economic climate as well. A more individualized faith favored an economy based on market outcomes over that based on the traditional way resources were allocated pre-Reformation. The Reformation is crucial to economic thought because, aside from the fact that it shifted the center of Christianity's thought and life from the monasteries to the marketplace, it contributed to the emergence of economic growth in Europe and the West in general and provided the backdrop for modern economics. Economists such as George O'Brien have argued that the Reformation, by promoting an individualized faith, created an individualistic society. But more than that, it destroyed the general ethics on economic life advocated by Thomas Aquinas. This was because the moral life of the individual was now no longer controlled by ecclesiastical legislation, and industrial and commercial activities were now no longer strictly under the moral law which was necessary for

[81] George, *Major Thinkers in Welfare*, 6.

[82] Douglass C. North, John Joseph Wallis, and Barry R. Weingast, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History* (New York: Cambridge University Press, 2009), 30-75.

the maintenance of certain standards of business honor and good faith.[83] However, Luigino Bruni, another economist, disagrees with O'Brien because according to him, while the Reformation may have promoted an individualized kind of faith, the Protestant regions (Northern Europe), where freedom in the financial and money lending market was promoted enjoyed the flourishing of commerce, growth in wealth and economic prosperity in contrast to the economic and financial disadvantages faced by regions that were still mediated by the Catholic Church on commerce and money matters (countries of South Europe i.e., Italy, Spain and some parts of France).[84] In section II:5 of this chapter, this study will delve deeper into the contribution of the Reformation and the Magisterial Reformers (mainly Luther and Calvin) to modern economic thought. With the forces of technology gradually being ushered in with the printing press and religion being more privatized and independent of the state, the economy and economic life became increasingly viewed as a product of impersonal, natural forces rather than moral principles. Moral reflections were gradually being relegated to private musings and scientific inquiry took precedence over teleological inquiry.

While artisanal ingenuity had existed far back in time, some technological successes in the late Middle Ages such as the introduction of the printing press, the technology of mining, the development of gunpowder, and the great voyages - made possible by better charts, the compass, and improved ship design - fostered a belief in humanity's ability to control nature. Therefore, early eighteenth-century men and women hoped that gaining useful knowledge would be a key factor in achieving economic change and this was not based on historical facts and experiences

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[83] George O'Brien, *An Essay on the Economic Effects of the Reformation* (Norfolk, VA: IHS Press, 2003), 21-22.

[84] Luigino Bruni, "The Value of Sociality: Economics and Relationality in the Light of the Economy of Communion," *Revista Portuguesa de Filosofia*, T. 70, Fasc. 1 (2014): 61-79, 64.

but more on a metaphysical belief that the universe was knowable and manipulable and the acquisition and accumulation of more knowledge about the natural universe would lead to a better appreciation of God and eventually pay-off in economic life. It can therefore be inferred that the technological revolution that has led to global economic growth was a result of the confluence of both the ingenuity of artisans and the scientific method and discovery. There was also the role of natural philosophy that provided the intellectual evolution for Enlightenment thought to flourish. Most eighteenth-century natural philosophers had some training in the sciences thus enabling scientific ideas and methods to penetrate other intellectual discourses.

In summary, the eighteenth-century Enlightenment according to Joel Mokyr, "was a product of the cultural and *religious beliefs* that had been slowly ripening in the sixteenth and seventeenth centuries.[85] These beliefs affected technology and eventually output, productivity, and economic performance."[86] In regards to culture, Mokyr notes that the Enlightenment, was a movement explicitly committed to the diffusion and dissemination of knowledge and ideas, which meant exposing people to larger menus of cultural variants from which they could make informed and hopefully rational cultural choices.[87] The rhetoric and the way people persuaded each other also became central, whatever could not be empirically observed and quantified could not be accepted as true, which led to the invention of the concept of *data*.

The invention of data meant a tightening of the standards of evidence as well as making them more rigorous and with this came a rebellion against ancient scriptures and myths as authority. According to Mokyr, what counted as persuasive evidence and proof itself underwent

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[85] "Religious belief" added by me.

[86] Joel Mokyr, *A Culture of Growth: The Origins of the Modern Economy* (Princeton: Princeton University Press, 2016), 276.

[87] Mokyr, *A Culture of Growth*, 278.

a process of cultural change—experimental methods were made more explicit and precise and higher accuracy and more precise measurement became the golden rule.[88] What this meant for economic thought was a gradual shift from economic ideas based on moral considerations to an adoption of a value-free scientific model of economic thinking. Since God or the Ultimate Reality was being gradually emptied from the public sphere in favor of empirical observation and quantification, deliberations around economic life made less reference to the transcendent and instead to the rational and universal, through mathematics and graphical representations. Fast forwarding to post-Enlightenment, or what is termed postmodernism or late modernity, the western society has gotten to the point where belief in God is no longer axiomatic, what Charles Taylor refers to as a "secular age." According to Taylor, in a secular age, there are many alternatives to choose from and belief in God is one option among many others. Modern economic thought and mainstream economists therefore think and develop models within what Taylor calls an "immanent frame,"[89] a natural order devoid of any supernatural intervention. What this means for modern economic thought is that human desires are now infinite and oriented toward not anything transcendent or beyond the natural order, but to as many finite goods as possible, with the scarcity of resources being the major constraint. Aquinas, however, argues that human actions are purposive and directed toward something that in principle would constitute a sort of end point. As a result of this human nature, it is impossible to have an infinite regress in intentions or desires. Human actions are therefore directed towards an end, and this end drives the pursuit of other intermediate ends. Thus, with a universe devoid of the Supernatural, Augustine argues that the pursuit of the intermediate end becomes disordered.

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[88] Ibid.

[89] Charles Taylor, *Secular Age*, 542.

Human flourishing is therefore attributed to how much of those finite goods can be acquired given the scarce resources available.

Section II: History of Economic Thought

Humans are not just moral beings. This is because a sense of morality exists because of the existence of community. Humans are also cultural and social beings with shared understandings of purpose, meaning and ethics. They exist within a community with shared understanding, presuppositions, and stories about how the universe works and what it means to be human.[90] Modern economics should therefore not just be based on empirical observations (rationality) alone, but its cultural and moral implications ought to be considered. In understanding human economic behavior, all three aspects (rational, moral, and cultural) must be considered.

Any good history of economic thought must therefore be simultaneously a history of the empirical, moral, and cultural observations for it to be complete. Before the nineteenth century, there was a universal acceptance of the integration of all three observations by almost all thinkers and philosophers, which will be studied in this chapter. This chapter will attempt to explore the flow of economic thought from ancient times to observe how issues around morality and religion influenced economic ideologies and the organization of societies. Thinkers such as Plato, Aristotle, all the way to thinkers in the eighteenth century placed major emphasis on the good rather than the pursuance of social efficiency.

Historically, the evolution of economic thought has been influenced by innumerable factors, with one of the most important being the role of religious beliefs on the discipline. This section will discuss the impact theological thoughts played in the development of economic

[90] Ibid., 26.

ideas, tracing the intertwined journey from the time of Plato to the emergence of Neoclassical economics. It will also show that behavioral economics—a combination of insights from the field of psychology and economics to explain human decision-making—is not a new concept but has its richest intellectual precedence in the works of the ancient philosophers: hence, the need to trace the history of economic thoughts and ideas.

While there are several notable thinkers who have contributed to the discipline, mentioning every one of them and their contributions would be a cumbersome task for this study. However, because history cannot be reduced into a single context, the various personalities that will be discussed in this section had different and distinct perspectives on a common issue. Later in this study, each figure will be rightly placed in their proper context. In discussing the history of economics, for the purpose of this research, the personalities will be grouped into three eras: (1) Pre-Modern: Ancient Roots and Moral Foundations and Scholasticism and the Divine Economy; (2) Modern: The Enlightenment and Departure; and (3) Post-Modern/Late Modern: Neoclassical Economics and a New Paradigm.

Section II:1 Pre-Modernity: Ancient Roots and Moral Foundations and Scholasticism and the Divine Economy

In most modern economic textbooks, Adam Smith (1723-1790) is usually referred to as the founder (or father) of economics. However, the history of economics goes far beyond Adam Smith as this study will show. Victor V. Claar and Greg Forster divide the history of economic thought by paradigms: namely, the Nature paradigm of classical Greco-Roman economic thought; the God paradigm of medieval and early modern Christian economic thought; and the Reason paradigm of the Enlightenment.[91] According to them, each of these paradigms passed

[91] Victor V. Claar and Greg Forster, *The Keynesian Revolution and Our Empty Economy* (Switzerland: Palgrave MacMillan, 2019), 18 (eBook).

away for certain reasons and cannot and should not be restored. They instead stressed the need for a new paradigm they call the "Moral Consensus" paradigm.[92] This research will however slightly differ with Claar and Forster and instead argue that some areas or thoughts of the old paradigms especially between the classical Greco-Roman period to the medieval period have so much to offer today in understanding human economic behavior.

With the rediscovery of Aristotle's work and the tension to balance the vertical with the horizontal dimensions of life, Thomas Aquinas (1225-1274) sought to synthesize Aristotle's work with the gospel and apply it to spheres of public life, economics included. Aquinas tried to develop a proper understanding of economics for his time by providing a comprehensive view of human economic actions. He divided the actions into four categories: namely, production, exchange, distribution, and consumption. This theory was what was referred to as Scholastic economics. Joseph Schumpeter, a notable economic historian, in his *History of Economic Analysis* singled out Aquinas not necessarily for his contribution to modern economic analysis, but for establishing ground rules for modern scientific analysis.[93] He described his approach to economics as strictly Aristotelian,[94] which is not technically correct, but will be discussed later in this study. Schumpeter further noted that when it came to economics, Aquinas was more interested in political sociology and only touched on economic phenomena that raised questions of moral theology. While this research will discuss some of Aquinas's approach to economics, it is important to first go back about 1600years before Aquinas to Aristotle to understand the evolution of economic thought.

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[92] Ibid.

[93] Joseph A. Schumpeter, *History of Economic Analysis* (New York: Oxford University Press, 1954), 90.

[94] Ibid.

Section II:2 The Classical Athenian and Greco-Roman Economic Thought

Until the Middle Ages, economics was not recognized as a distinct category but a discipline under ethics and/or politics. There were no specific textbooks directed towards economic theories, but it was subsumed in ethics. The nature paradigm of Claar and Forster assumed that since humans are part of nature, their economic needs and behavior was also a part of nature and thus conformity to nature and purpose was a standard for economic thought.[95] *Oeconomicus*, a term coined by Xenophon (c.430-354 BC), from the Greek words *oikos* and *νομός* at that time only meant a practical application of wisdom in managing the household. As we will discuss in this section, *oeconomicus* was Xenophon's most significant contribution to economic thought. It borders on household management and the proper management of a person's estate. However, two prominent philosophers whose works provided the superstructure that made economic thought accessible to us today are Plato (347–427 BC) and Aristotle (322–384 BC). However, before discussing the contributions of these two thinkers on economic thought, it is important to provide a brief context of what shaped their thoughts and philosophy.

The beginning of Greek civilization as described in Homer's Iliad and Odyssey was birthed through the poetic tradition. Poetry played a vital role in shaping and establishing truth and reality. Truth and reality were hidden in their speeches and narrations which explored and confronted the depths of humanity's problems, including economics. One of the greatest holders of the Greek poetic tradition who spoke to the economic realities of that time was Hesiod. To address the problem of scarcity, Hesiod, using poetry, asserted that scarcity was a way the gods punished humanity for Prometheus's acts. To solve this problem of scarcity would require the

[95] Claar and Forster, *The Keynesian Revolution and Our Empty Economy*, 28.

need for effective allocation of resources, but to achieve that would require human labor. Hesiod therefore viewed labor as humanity's fate, virtue and the source of all good.[96]

Fast forward a hundred years later, Thales, one of the first Greek philosophers, sought to show how mediocre the poets were in their approach to explaining truth and reality and how philosophy could better explain truth and reality by showing categories such as constants, constancy, inalterability and quantities. To show the practical impacts of philosophy and that economic affairs were subordinate to all things spiritual and should therefore be subsumed under philosophy, he speculated on bad olive crops and gained much wealth.[97] Furthermore, he sought a logical foundation of geometrical theorems.[98] Ultimately, while Thales was not able to produce a complete system of theorems and demonstrations as we might have today, he was still the first to head in that direction, thus inspiring philosophers such as Pythagoras. Pythagoras asserted that numbers were not only important for intellectual exercise but were permeated with mystical significance. Thus, he sought to reduce the world into numerical form, a rational entity. However, Aristoxen, a student of Pythagoras, would argue that the comparison of everything with numbers began from commercial and economic observations.[99] If Aristoxen is right, then it means that economics served as an inspiration for mathematics and not the other way round. Therefore, the efforts of philosophers, even as far back as that time, to try to impose abstract unchanging principles on a constantly changing reality meant the gradual removal of the unseen (noumena) from the empirical world (the phenomena). Parmenides, for example, posited that our perceived sense of a constantly changing world, the real empirical world, is unreal and what is

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[96] Sedlacek, *Economics of Good and Evil*, 96.

[97] Ibid

[98] Lucas N.H. Bunt, Philip S. Jones, and Jack D. Bedient, *The Historical Roots of Elementary Mathematics* (Prentice-Hall: Englewood Cliffs, NJ, 1976), 69-71.

[99] Harris, *The Reign of the Whirlwind*, 80

real comprises only of the processes of reason (abstract thoughts which are stable and unchanging).[100]

Therefore, to achieve a real empirical world, a mental model had to be forged which then takes the place of our perceived reality and can therefore be used to make future predictions in the constantly changing world. This laid the foundation for the creation of the rational model in economics and the scientific discipline. Why this is relevant for this study is that it helps to show that the rational choice model in economics, which will be discussed and critiqued later, goes back beyond Adam Smith and Jeremy Bentham, contrary to what most modern economic textbooks would state.

Xenophon

With the beliefs that the world was a rational entity capable of being known and that the future could be predicted once some static principles were imposed on the dynamic and ever-changing reality, it became easy to describe some economic phenomena such as revenue maximization and principles of good household management. Xenophon, whose works can be described as the pinnacle of ancient political economics, was also a philosopher. By imposing some constants on economic variables, he was able to call for the stimulation of Athens's economic activity by showing the importance of extending hospitality to immigrants and foreigners and using their numbers (the immigrants) and their goodwill as a way to gain economic strength for Athens. His prediction about the impact of immigrants on economic growth still holds true even today. As a very forward-thinking and talented economist (even though he is not primarily remembered as one), some of the factors that he held constant were human motivation and the businessperson's desire to feel exceptional, factors that still play a

[100] Sedlacek, *Economics of Good and Evil*, 99.

vital role in economies today.[101] By analyzing specific factors that influence human behavior and motivate business decisions based on historical observation, Xenophon concluded that as humans, we are capable of predicting outcomes. This stance, encapsulated in his *Conditio Jacobaea,*[102] contrasts sharply with today's prevailing economic paradigm, which is grounded in the rational choice model's assumption of *ceteris paribus* (all other things being equal). For Xenophon, rather than keeping all other things constant, he argued that a proper way to predict outcomes involves considering the dynamic interplay of various factors, recognizing that change is constant and inevitable.

With this theory, Xenophon developed what modern economists will call the subjective theory of value, where he showed the essential distinction between value in use and value in exchange through an imaginary conversation between Socrates and Critobulus, where Socrates shows how possession of property was not synonymous with wealth unless that property was put into rightful use.[103] This distinction provided the basis for Aristotle, John Locke and Adam Smith's economic theories: value in use and value in exchange. What this distinction meant was that labor, and money were useless in and of themselves except if put into proper use; only then could they be considered as wealth. Today, late modernism views everything that does not provide visible self-gratification and self-fulfillment as useless. All human interactions and relations are thus reduced to a transaction with some kind of benefit in view.

However, despite being a highly intelligent economist, Xenophon understood the limitations of his analyses, humans are not simply brains on a stick, as James K. A. Smith

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[101] Sedlacek, *Economics of Good and Evil*, 101.

[102] Meaning the effort to place all events in relation to the wider context of the world. Xenophon, *Ways and Means*, 6.2

[103] Xenophon, *Ways and Means*, III. 1-12

asserts. Thus, human behaviors and economic outcomes cannot be easily predicted based on historical observations. For Xenophon, therefore, economic events had to be situated in a proper cultural context and economic theories must be based on an awareness of the satiability of real desires.

Plato

Plato plays a significant role in the way we view economics today. He was the first philosopher to use philosophy in discussing political matters and addressing social questions. In addition, Plato strengthened the rational tradition idea that the world was best known through reason. According to him, this world is an image of something, a hidden truth which can only be known by towing the path of rationality.[104] Plato can therefore be said to have created or opened the door to some form of mystical reticence toward the world, to asceticism and the beginning of faith in abstract rational theories. His goal, according to Tomas Sedlack, was to cut through the confusing and variable empirical world towards an unchanging and constant rational truth.[105] Schumpeter noted that Plato's objective was not analysis at all but extra-empirical visions of an ideal *polis*.[106] It was extra-empirical because for him, the empirical phenomena only *appeared* to capture the essence of reality which could only be approached through abstract considerations and model rationalizations.[107] Therefore, to attain this ideal polis requires looking deep within us, wherein lies the tracks of truth which were written even before we were born.[108] According to

[104] Plato, *Timaeus*, 29b

[105] Sedlacek, *Economics of Good and Evil*, 105.

[106] Schumpeter, *History of Economic Analysis*, 54-55.

[107] Sedlacek, *Economics of Good and Evil*, 105.

[108] Similar to Expressive Individualism with the idea our truest self can only be realized when we look inwards, and freedom and truth can only be attained when we break ourselves from every external shackle that tend to hold us from realizing our truest self. Descartes view also fits nicely into Plato's view.

him, searching for truth outside of ourselves is misleading and distracting because it leads to a path of simply following and examining shadows, whereas we *are* capable of taking in real things, not with our eyes or senses, but through reason.[109] With Plato's heightened sense of what human reason was capable of knowing, the rational tradition was fully developed and became important for various disciplines including economics. The logic of trying to rationally uncover the principles of reality formed the basis for developing (mathematical) models and trying to reduce the real world into models.

While he had many influential works, his very prominent work, *The Republic*, had profound implications for economics because here he sought to paint a picture of what a perfect state ought to look like based on the ability of humans to reason their way to the truth.[110] A dialogue between Socrates, Adeimantus, Glaucon, Thrasymachus and others, *The Republic* provides a picture of what an ideal state ought to look like, showing the relationship between justice and politics. Concerned especially with economics, is the dialogue between Socrates and Thrasymachus where Socrates views justice as fundamentally a right ordering of the soul as opposed to Thrasymachus, who coming from a sophist perspective, views justice as simply a social convention—nothing more than the interest of the stronger.[111] For Socrates, justice was not about the interest of the stronger, but about the interest of the subject or the weak.[112] Therefore according to him, government ought to work for the interest of the citizens and not for those in power. Thrasymachus classified injustice with wisdom and virtue in as much as justice was for the interest of the stronger, but Socrates strongly opposed this submission arguing that

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[109] Sedlacek, *Economics of Good and Evil*, 106.

[110] Plato created this Utopian state where all economic as well as non-economic activities were strictly regulated and a society that was very just and fair in dealing with her citizens.

[111] Plato, *The Republic*, Book I, pg. 17-18.

[112] Ibid., 21.

true virtue and wisdom came from pursuing justice, while injustice bred vice and ignorance, and the only way to recognize virtue or vice was through its end/purpose.[113]

Augustine, synthesizing both views on justice in *The City of God*, argues that certain things in the secular city may seem like virtues when they are indeed vices, and the only way we can tell is by the motive/*telos* behind them, which almost all the time is the lust for power or domination (*libido dominandi*). Augustine refers to Cicero's *On the Republic*, where Cicero asserted that training of civic leaders ought to be directed towards a longing for glory.[114] He notes that while the desire for glory might make people do good things (for example, seek justice), there is a slippery slope from the excessive delight in praise of men to the burning passion for domination.[115]

Contributing to this conversation, Socrates depicts the importance of integrating empirical, moral and cultural observations in understanding human behavior as opposed to Thrasymachus' attempt to explain human behavior and social systems empirically, devoid of moral and cultural elements. This means that, even as far back as this period, the social imaginary played a vital role in determining human behavior. For Socrates, human behavior cannot be accurately explained unless we assume that there is moral truth, and that human behavior is related to that truth.[116]

While Plato may be viewed as a communist or a socialist, he was far from both, because his 'constitution' did not exclude individuals from owning private property. Instead, his argument was that individual wealth had to be regulated. In the *Republic*, Plato emphasized the

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[113] Ibid., 27-33.

[114] Augustine, *City of God*, V:13.

[115] Doody, Hughes and Paffenroth, *Augustine, and Politics*, 314. Also see Augustine, *City of God*, V:19.

[116] Claar and Forster, *The Keynesian Revolution and Our Empty Economy*, 29.

importance of wealth, stating that it contributed not a little to the good life, just like justice and beauty.[117] However, the possession of wealth, though of chief value, cannot be for everyone, but only those who are good.[118] This is because wealth provides independence and freedom, an argument that Aristotle will also uphold. However, despite the importance of wealth, Plato argued that true wealth lies in the ability to use it well, to pursue a just and virtuous cause. This is based on his belief that when wealth is misused, it disrupts the peace of the state. In *The Laws*, he argues that the absence of money, money-making, and credit would remove many obstacles to peace and good-feeling and men will have the time to focus on matters of real interest to their souls and bodies.[119] Therefore, property and wealth for him ought to take third-place in the order of importance and must be recognized as such by the state, because with the state property and wealth counts, but not for the individual.[120] Here Plato simply meant to show the two-dimensional view of human flourishing, that is, while human flourishing is eminently individual, it also entails a strong social dimension. Therefore, our individual decisions have profound impact on the society. Hence his emphasis on virtue as the only means to attain human flourishing. For wealth to be considered good, it had to contribute to the good and flourishing life. Therefore, while modern economists (welfare economists) would argue that maximization of welfare should be accomplished by efficiently giving people what they want, they overlook the anthropological problem that people's wants have been marred by sin and lust. Hence, Plato's view of welfare maximization was to ensure happiness by making people do what they should.

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[117] Plato, *Republic*, Book I-331.

[118] Ibid.

[119] Plato, *The Laws*, Book V-743. c.5

[120] Ibid., 744.a.8

A theory of welfare for Plato could therefore not be constructed outside of virtue. But attainment of this virtue could only be through intellectual and spiritual contemplation, the key to getting to the truth and translating to the good life. Since the body is the seat of all evil and its pleasures are deceptive, attaining the good life would require refraining as much as possible any association with the body until we are purified by the divine.[121] But in the meantime, to achieve an ideal polis would mean that the ruling class would have to dedicate themselves to pursuing an impartial quest for truth and a mystical vision of the absolute. Since individuals know that their best interest is served by rational decision-making, they would welcome the supervision and guidance of those who are more skilled and intelligent.[122] Leaders in Plato's ideal society are therefore people who resist the temptations to be corrupt, which breeds the ability to see the ideal and hence can mediate the surveyed cosmic order to others.[123]

Plato's economic and political teachings, while useful for today, have faced severe criticism, as the inspiration for all utopian thinkers and the proponents of communism. Karl Popper argues that Plato, and by extension Marx, offer a vision of an apocalyptic revolution which will radically transfigure the whole social structure.[124] Sedlacek argues that Plato's utopian society cuts off the demand side based on its emphasis on the separation of body from soul, because the physicality and care for the material becomes the antithesis of the superior life, thereby resulting in the marginalization of material things which has the ability to hinder economic progress. He believed that Augustine also held on to this idea, hence the reason why

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[121] Plato, *Phaedo*, 65b-66a

[122] Lowry, *Ancient and Medieval Economic Ideas and Concepts of Social Justice*, 25

[123] Sedlacek, *Economics of Good and Evil*, 114.

[124] Karl Popper, *The Open Society, and Its Enemies* (Princeton, NJ: Princeton University Press, 2020), 38, 164.

modern economists do not assign a great importance to him.[125] While it is true that Augustine was critical of material wealth, it seems that Sedlacek misinterpreted Plato's argument about the body and soul, and by extension, Augustine. Augustine, however, clarifies and transforms Plato's position, by asserting that it is not the body in itself that has been corrupted, but rather the body as it has become through sin. The punishment for sin is what weighs down the soul.[126] What this therefore means for Augustine is that attaining happiness and the good life in our present state is not contingent on fleeing from the body, but only from things that are corruptible, burdensome, oppressive and death-bound, not from things that were created by God's goodness for the first human beings.[127] What this means for the state is that while possession of wealth ought to be regulated, acquisition of wealth is not a bad thing in itself because it is a part of the goodness of God from the onset in creation that we still enjoy today, but such goodness should be enjoyed in God as the source of all good. Separation from bodies that are corruptible is therefore not synonymous with cutting off the demand side (human wants and desires).

Aristotle

Aristotle, though eschewing the utopianism of his teacher Plato and instead focusing more on a systematic observation and analysis of real societies and economies, still held to Plato's interdependence of the empirical, moral, and cultural observations. While Plato moved between myth and analysis, Aristotle was more of a realist and analytical in his approach. With Plato, the truth could be sought through dialogue and abstraction and to some extent fantasy, but Aristotle's writings were more scientific in nature. Just like Plato, Aristotle believed that the possession of wealth was undeniably good, and its peculiarity lies in its usage: for good or evil.

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[125] Sedlacek, *Economics of Good and Evil*, 155.

[126] Augustine, *City of God*, XIII, 80.

[127] Ibid., 17, 83.

The analytic intention which was absent in Plato's work was the basis for Aristotle's work and hence the logical way in which he structured his arguments. He approached his study of ethics and politics with a markedly different method from that of Plato. While Plato's philosophy often relied on abstract ideals, as mentioned above, Aristotle developed his theories through empirical observation and systematic analysis.

His method of investigation was empirical and inductive. He collected data and observed the political systems of various Greek city-states to derive general principles from specific cases. This approach allowed him to study politics as a practical science, focusing on how societies operate and how they can be governed effectively. His work in politics, particularly as seen in his "Nicomachean Ethics" and "Politics," emphasizes the importance of the polis (city-state) as the context for achieving the good life, which for him meant a life of virtue lived in community with others. In "Politics," Aristotle examines different types of government and their functioning, assessing their strengths and weaknesses. This pragmatic approach helped him to formulate theories about the best possible government under various circumstances, always with the goal of achieving the common good and fostering the virtuous life among citizens. In *Nicomachean Ethics*, which is a comprehensive study on human behavior from a normative angle, he explores the political individual within the city-state and the pursuit of happiness and/or flourishing as the highest good/telos. As opposed to Plato, Aristotle did not examine invariability as much but instead focused on the goal of movement (the telos or the end). According to him, being devoted to honor is not the best life for a human being; the happiest life is the life devoted to inquiry and the study of the unchanging things. This he calls the "theoretical life"—a life in which the divine or transcendent is the central aspiration of human flourishing or well-living. He placed great

emphasis on the role of morals and argued that the good life cannot be imagined without the study of good and evil.

Economic historians like Schumpeter would argue that by discussing social institutions in terms of purposes, Aristotle gave in to a particular form of rationalist error, namely the teleological error.[128] Schumpeter advocated for methodological individualism instead, the principle that social phenomena should be explained by considering the actions and interactions of individuals, rather than attributing to the institutions themselves intentional purposes or goals.[129] Aristotle based his economic analysis primarily on wants and their satisfactions. He dealt extensively with utility's role in life and the maximization function. Sedlacek notes that Aristotle's view on utility, while closer to the view of the Stoics,[130] in that it was not solely tied to immediate or sensual pleasure but to attaining a higher state of being, was still quite different because utility for him was the actualization of a person's potential and virtues. Actions were only useful if they contributed to these ends. For the Stoics, the actions of individuals were based on observing rules irrespective of the outcome. He began his analysis from household self-sufficiency and then introduced the concept of division of labor and then barter as a means of exchange. Due to the complexities associated with barter, he introduced money.[131] For Aristotle, money was the means for comparison between objects of exchange. It served as a single standard of measurement[132] and therefore ensured objective value. He addressed the ethical problem of justice in pricing, referred to as commutative justice, by distinguishing between value in use and

[128] Schumpeter, *History of Economic Analysis*, 58.

[129] Ibid.

[130] Sedlack, *Economics of Good and Evil*, 120.

[131] Schumpeter, *History of Economic Analysis*, 60.

[132] Aristotle, *Ethics*, Book V, 8.

value in exchange, which was later developed into the price theory by the scholastics.[133] One of the cases he condemned as unjust was the case of monopoly.

Section II:3 Contribution of Early Christian Thought

The Bible does not provide a plan or model for economics, but it provides a perspective and criteria for evaluating economies and a framework for accepting personal responsibilities for economic views, actions, and decisions. The economic thought of the early church was profoundly shaped by the teachings of Jesus and the sociopolitical context of the Greco-Roman world. Based on the belief that Christians should care for the needy and live a life not focused on material wealth, the early church, as shown in Acts 2:44-46 and Acts 4:32-37, practiced communal living and sharing of resources, not out of compulsion or any form of rigid system of communalism, but instead out of a generous and voluntary sharing of resources to ensure that no one in the community was in need. Paul S. Jeon notes that such transactions did not happen overnight, nor were they forced by the apostles. They were progressive and voluntary as the community became more cognizant of one another's needs and more convicted of their common bond in Jesus Christ. The use of the pronoun "all" (*pasin*), therefore reiterates the absence of discrimination and the profound unity of the first community.[134] All who had need received from those with plenty, since they were all of one faith. F.F. Bruce however makes a very important assertation: the ability to maintain the voluntary pooling of property/resources was only dependent on when the sense of spiritual unity was exceptionally active. As soon as that flame of unity began to wane, the attempt to maintain the communal life was beset with many

[133] Ibid.

[134] Paul S. Jeon, "Collectivism and/or Christianity: An Exegetical Study of Acts 2:42-47 and 4:32—5:11," *Institute for Faith, Works, and Economics.*

difficulties.[135] Even though there was a distinct emphasis on supporting the poor, oppressed and vulnerable, wealth ownership was not condemned, but believers were admonished to avoid the dangers wealth accumulation could pose, such as greed and a lack of concern for others, along with the possibility of being overconsumed by their wealth, leading to a neglect of their spiritual lives. Considering this, charging interest or usury was condemned in line with Jewish laws, a stance that was contrary to what was obtainable in the Greco-Roman world at that time.

The early church preached a strong work ethic. Believers were meant to carry out their earthly work as though they were working for the Lord. Slaves had to be submissive to their masters and carry out their daily tasks with joy. Work was not supposed to be meant for personal gain but used for the benefit of others and to glorify God. A strong work ethic also included having a keen sense of justice in economic dealings, such as fairness in trade, honesty in business and the proper treatment and compensation of workers.

Economic historians such as Schumpeter have argued that the Christian thought of the first six centuries had nothing to do with economic analysis. According to him, biblical instructions such as giving to the poor, speaking against injustice, and lending without an expectation of payback were mere ideal imperatives that formed part of a general scheme of life and nothing else. However, the early church, while not explicitly addressing the economic system of their time, viewed economic issues as a moral and ethical concern that needed to be addressed.

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[135] F.F. Bruce, *The Book of the Acts* (Revised): The New International Commentary on the New Testament (Wm. B. Eerdmans Publishing: Grand Rapids, MI), 1988, 101.

Section II:4 Aquinas and the Scholastic Doctors

The Greek philosophers, as seen above, considered economic issues as a matter of moral philosophy. Instead of analyzing how the economic system worked, they and the early church were more concerned with how an economic system ought to work in an ideal society. They were therefore focused on a normative approach to addressing economic issues. This normative approach continued into the Christian era and influenced the economic thoughts of some of the early church fathers and medieval philosophers like Thomas Aquinas, who attempted to synthesize Aristotelian ideas with Christian thought in addressing ethical issues in economics such as private property, just pricing, usury, and so on. Historian Schumpeter would argue that it was not until the thirteenth century that Christian thinkers actually paid attention to addressing economic concerns. According to him, we cannot find anything like 'economics' in Christianity's sacred writings, and furthermore, the New Testament narrative of believers selling what they had and giving to the poor or the instructions for believers to lend without expecting anything in returns were all ideal imperatives forming part of a general scheme of life, with no relevance for economic thought and analysis.[136] He notes that while the early church fathers preached against wanton luxury and irresponsible wealth, and enjoined charity and restraint in the use of worldly goods, they never did any form of analysis. Even the later church fathers like Ambrosius, Chrysostom or Augustine, who developed techniques of reasoning partly from Greek philosophy and Roman law, never went into economic problems even though they addressed the political problems of their time.[137] Since the early church fathers did not address economic issues as argued by Schumpeter, there was a period of silence in the development of economic ideas

[136] Schumpeter, *History of Economic Analysis*, 71.

[137] Ibid., 71-72.

between the death of Aristotle and the works of the scholastics and Aquinas in the Middle Ages. Schumpeter calls this period of silence "the Great Gap."[138] This is the period from the early Christian church to the reign of Charlemagne. He argues that not until about 1600 years after the death of Aristotle did Christianity provide a significant contribution to the history of economic thought and analysis through Thomas Aquinas's (1225-74) *Summa Theologica*. According to him, Aquinas' *Summa Theologica* is in the history of thought what the southwestern spire of the Cathedral of Chartres is in the history of architecture.[139] This section will not merely examine the contribution of Aquinas to economic thought, but will also provide a comparison of his economic ideas with Augustine's ideas of the ideal city to show that Aquinas did not solely derive his ideas from Aristotle, but also elaborated and refined Augustine's contributions to economic thought.

The thirteenth century saw the revolutionizing and consolidating of theological and philosophical thought into a new system through the works of Thomas Aquinas and other scholastic teachers such as Duns Scotus and Alexander of Hales. This period is what Schumpeter refers to as "the resurrection of Aristotelian thought."[140] According to him, the scholastic doctors of the Middle Ages are the ones who deserve to be referred to as the founders of economics, not Adam Smith as popularly claimed.[141] This is because it was within their moral theology and concept of natural law that economics gained its own life. John Mueller notes that the scholastic doctors deepened and developed the Aristotelian distinction between value in use and value in

[138] Schumpeter, *History of Economic Analysis*, 73.

[139] Ibid., 74.

[140] Ibid., 87.

[141] Mueller, *Redeeming Economics*, 13.

exchange into a fragmentary but the subjective or utility theory of exchange value or price found in the work of Aquinas, was missing in the works of Aristotle.[142]

Thus, scholastic economics was not strictly Aristotelian, despite what Schumpeter makes it out to be. While his approach to natural law and rationality were heavily dependent on Aristotle, his principles of morality and what constitutes the common good were either at variance with Aristotle or was not contained in Aristotle at all. Whose work(s) other than Aristotle therefore influenced Aquinas? Mary Keys identified three main political-philosophical foundations of Aristotle's thought found in Aquinas's thought. The first foundation is the naturalness of political life to humans, the second is how central politics is to citizenship and civic virtue, and the last has to do with the crafting in speech of the best political regime any human could hope to live in.[143] Aquinas in his *Summa Theologica*, explicitly referred to and approved Aristotle's first two foundations: "but since man is naturally a civic and social animal, as is proved in Polit. i.2, hence a third order is necessary, whereby man is directed in relation to other men among whom he has to dwell."[144] Just like Plato, Aristotle believed that humans are social in nature, and thus the best way to actualize human potential and virtue is to have some form of regulation. Hence, government is needed.[145]

Keys observes that while Aquinas explicitly reiterates and agrees with Aristotle's social and political nature of human beings, nowhere does he mention, allude to or agree with what

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[142] Ibid., 14.

[143] Mary Keys, "Unearthing and Appropriating Aristotle's Foundations" in *Aquinas, Aristotle and the Promise of the Common Good* (Cambridge University Press, Cambridge: UK, 2006), 63. https://doi.org/10.1017/CBO9780511498213

[144] Aquinas, *Summa Theologiae* I-II, 72, 4. https://aquinas.cc/la/en/~ST.I-II.Q72.A4.Rep2. Accessed January 18, 2024.

[145] Aristotle, *A Treatise on Government*, Translated by William Ellis, M.A. (Routledge: London, 1888), I.2.

Aristotle considers to be the best political regime for humans to live in.[146] Even though in discussing the best possible regime in his commentary of the Old Law (Mosaic Law), Aquinas explicitly refers to Aristotle's *Politics* and *Ethics,* Keys notes that it was in light of the best possible government under ordinary human conditions and not the best regime simply speaking.[147] The best regime for Aquinas is the attainment of happiness. True happiness should be the ultimate end of human existence: to become one with God, who is the First Cause.

While Aquinas just like Aristotle sees the pursuit of an ultimate end as central to humanity, Aquinas moves away from Aristotle by providing a deeper and more integrative argument for what comprises the ultimate end. For Aristotle, the ultimate end is attainable in this life and focused on human flourishing through the perfecting of the virtues, while Aquinas, even though he values human flourishing, sees the ultimate end as something that transcends this life. Therefore, for him, living a virtuous life is essential, but the ultimate end of human life is the Beatific Vision: attaining a direct and personal experience of God, which is the ultimate fulfillment of human desire and the highest form of happiness.

While Aquinas builds on his own foundation (Aristotle and his Christian faith), it is obvious that he borrowed from others to come to his conclusion on what constitutes the best regime. Keys notes that when it comes to what constitutes the end of human life, Aquinas borrowed extensively from the modes and work of St. Augustine.[148] According to her, while Aristotle and Augustine emphasize moderation in political ambitions especially as it relates to the desire to dominate others for one's own personal advantage, Aristotle takes a noble human

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[146] Keys, "Unearthing and Appropriating Aristotle's Foundations," 63. According to Keys, yet it is striking that nowhere in Aquinas's writings do we find an exact equivalent of Aristotle's third political-philosophic foundation, the crafting in speech of the best political regime any human being could hope to live in.

[147] Keys, "Unearthing and Appropriating Aristotle's Foundations," 64.

[148] Ibid., 66.

approach to addressing the problem of moderation, while Augustine incorporates a metaphysical, Neoplatonic, and religious dimension to politics, thus making his own view far richer than Aristotle's. For Augustine, human beings by nature do not only live face to face with one another; they also ultimately live facing God.[149] This upward gesture is not one of triumphal pride, as displayed by the Platonist philosophers, but instead a humble acknowledgement of humanity's neediness and indebtedness to the transcendent origin and fulfillment of our creaturely existence. This is where Augustine differs from Plato. Focusing on God, who is the Ultimate Other, creates a deeper awareness of human limitations and a redirection of desire towards that which is truly and wholly good and beautiful. Therefore, to attain Aquinas's beatific vision requires an upward gesture before a sideways gesture. Keys summarizes it this way:

> Aquinas as an Augustinian is thus led from Aristotle's second foundation not onward toward the third so much as back around to the first, to endeavor to reinforce it with insights from both common ethical experience and the religious dimension of humanity, and to extend its social scope outward toward all persons…. From this new archon, or normative foundation in an Aristotelian rather than Cartesian or Kantian spirit, Aquinas is able to delineate and defend a more capacious account of the common good and to undergird it with a more metaphysical or transcendental, upward-looking form of moderation that we might call humility.[150]

The importance of humility is emphasized in Augustine's *City of God* where he attributes the fall of the city to pride—a craving for undue exaltation as one's end, which disconnects the soul from the Ultimate end of human life. He notes:

> But pious humility enables us to submit to what is above us; and nothing is more exalted above us than God; and therefore humility, by making us subject to God, exalts us. But pride, being a defect of nature, by the very act of refusing subjection and revolting from Him who is supreme, falls to a low condition; and then comes to pass what is written: "Thou castedst them down when they lifted up themselves."[151]

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[149] Keys, "Unearthing and Appropriating Aristotle's Foundations," 66.

[150] Ibid., 67.

[151] Augustine, *City of God*, chapter 13

According to Augustine, pious humility and a sense of submissiveness to the supreme God constitute the recommended way to live in the city of God as it sojourns in this world.

Aquinas's contribution to economic thought was shaped by the natural law philosophy he inherited from Aristotle and the Christian moral theology shaped by Augustine. With the insights from the works of these men, Aquinas's *Summa* provided moral reflections on economic issues such as justice in pricing, private property ownership, usury and the importance of charity and moral responsibility in economic exchanges considering an end. Like Aristotle, Aquinas notes that all human actions are directed towards an end, but like Augustine he argues that properly human action must be ordered towards only a particular final end that does not proceed indefinitely.[152] With a final end in mind, Aquinas believed that the price of any good should be such that it is sufficient to cover the costs of production and provide the seller with a reasonable profit. The just price for him is therefore determined by a combination of the cost of the material, the labor involved, and other expenses related to the production and sale of a good. Charging beyond this price to exploit consumers was considered unjust and sinful. Economists have referred to this as equilibrium market price. Aquinas affirmed that while just price is not determined by divine law, humans in a transaction exchange should seek to know the primary purpose for which something was created because this understanding provides the proper moral safeguards required to retain the true nature of that thing. By understanding the first cause of a thing, Aquinas argues, we can better understand the creative and aesthetic aspects of decision making.[153]

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[152] Aquinas, *Summa Theologica*, I-II, 1.4

[153] Mary L. Hirschfeld, *Aquinas, and the Market: Towards a Human Economy*, 69.

Augustine also affirms this principle by arguing in his *Enchiridion* that the goodness of God is the first cause of all things. According to him: "It is enough for the Christian to believe that the only cause of all created things, whether heavenly or earthly, whether visible or invisible, is the goodness of the Creator, the one true God; and that nothing exists but Himself that does not derive its existence from Him."[154] Yet, if God created everything good, what then do we do with evil? Thomas Hobbes argues that humans are born infected with evil—which Augustine calls "original sin"—and as a result, their actions ought to be firmly regulated. This can be achieved through strong executive powers.[155] In the absence of this power, according to Hobbes, society plunges into chaos. Aquinas and Augustine, however, oppose Hobbes's position. They argue that evil has no being (essence) and as such every evil emanates from a good thing.[156] This means that humans by nature and sound reason tend towards good, because humans were created good and human nature is good.[157] But as Augustine notes and Aquinas concurs, due to distortion (Aquinas) or disordered desires (Augustine), humans carry out evil deeds. If human nature is inherently good, the kind of regulation suggested by Hobbes limits human beings from exercising their God-given freedom; hence, God's providence will not be evident in the face of evil. The creation account therefore lays the foundational understanding of human nature and behavior, including the human sense of morality, justice, and the pursuit of good over evil. This account provides an explanation for the existence of the "invisible hand" in laissez-faire markets.

A knowledge of the first cause, according to Aquinas, should inform how exchange takes place in such a way that benefits everyone in a transaction. Referring to Aristotle, Aquinas notes

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[154] Augustine, *Enchiridion*, 9.

[155] See Sedlacek, *Economics of Good and Evil*, for reference.

[156] Augustine says (*Enchiridion* 14) that evil exists only in good. ST.I. Q48. A3. Rep3

[157] Sedlacek, *Economics of Good and Evil*, 158

that "justice is a habit whereby a man renders to each one his due by a constant and perpetual will."[158] He argues that a judge renders to each one what belongs to him, by way of command and direction, because a judge is the personification of justice, and the sovereign is its guardian. On the other hand, the subjects render to each one what belongs to him on threat of execution.[159] Aquinas, however, does not stop at Aristotle's definition of justice, but goes on to identify the source of justice by referring to Augustine's submission on justice: "just as love of God includes love of our neighbor, as stated above, so too the service of God includes rendering to each one his due.[160] This corrects how Augustine's position is always been interpreted as overly internal, not concerned with the external world.[161] Just like Aquinas, from an ontological standpoint, the material world was absolutely real to Augustine; hence, the need to solve some of the problems in the world was of importance to Augustine.

Aristotle maintained that justice is achieved when something is given to a private individual, insofar as what belongs to the whole is due to the part, in a quantity that is proportionate to the importance of the position of that part in respect of the whole.[162] This notion is referred to distributive justice. Aquinas, while agreeing with Aristotle on this point, frames his discussion of justice in exchange around commutative justice. For him, even though particular

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[158] Aquinas, *Summa*, II-II. Q58, A1. C.3.

[159] Ibid.

[160] Ibid.

[161] Sedlacek for example argued that "Augustine ties, to a large degree, into Platonism, 123 and in the existing world he instead sees only a hallucination, a shadow play which only tells of the truly existing world—for him, the visible does not represent reality (which in many ways is similar to the occasional extremes of a rational notion of the world, where abstractions are placed above the concrete). This is not directly about the dualism of body and spirit, but despite this Augustine understood the body as the "weight of the soul." 124 This notion itself meant that economics did not assign a great deal of importance to it. From an economic standpoint, it will be interesting for us to follow a later great personality, Thomas Aquinas, who reversed attention from the Augustine inwardness toward examining the external world." (Sedlacek, Tomas. *Economics of Good and Evil*, 155).

[162] Aquinas, *Summa*, II-II. Q6, A2. SC

justice is directed to the private individual, who is compared to the community as a part to the whole, the part and whole are somewhat the same in such a way that what pertains to the whole pertains somewhat to the part, so that when the goods of the community are distributed among a number of individuals, each one receives that which, in a way, is his own.[163] This justice in exchange was not to be a mere abstract exercise but applied to everyday economic life. Therefore, determining the just price of an exchange was a practical necessity for the church and church clerics. Penance was therefore also applicable to sins that occurred in the economic space. This was because Aquinas believed that if humans were created in the image of God, then self-interest must be properly directed towards seeking the common good, which should lead to an economic life ordered towards virtue.

Mary L. Hirschfeld, who strongly believes that adopting a Thomistic approach to modern economic thought would lead to a more humane economy, nonetheless notes that one of the downsides of Aquinas's just pricing was a lack of consideration for relative standards of living.[164] According to her, Aquinas simply accepted the socially determined standards of living as his benchmark for how economic justice was to be practiced, thereby failing to providing modern economics with tools for determining whether our socially determined standards of living are themselves just.[165] Hirschfeld therefore suggests that in exercising justice in the distribution of wealth and economic goods, the first place to begin is to determine what constitutes a genuinely good standard of living. Amartya Sen in his *The Capability Approach: Concepts, Measures and Applications* argues that standard of living should not simply focus on

[163] Ibid., Q61, A1. Rep two

[164] Mary L. Hirschfeld, *Aquinas, and the Market: Toward a Humane Economy*, (Cambridge, MA: Harvard University Press, 2018), 189.

[165] Ibid.

material wealth and income alone but must be comprehensive. His "capability approach" is a framework that emphasizes the real freedoms and opportunities individuals have to achieve wellbeing. This framework argues that standard of living should be measured by people's capabilities to do the things that they value, such as pursuing a healthy lifestyle, getting education, participating in community life, having access to resources for a decent standard of living, and so on. He also stresses the importance of participatory freedom, which includes having political liberties, guaranteed transparency, protective security, social opportunities, etc. as elements essential for exercising individual capabilities and enhancing the standard of living.[166]

While Sen's approach emphasizes the need to meet the requirements of social decency above material needs, focusing simply on the individual's capabilities tends to place individual rights over and against society and as such tends to minimize individual's obligations to society. It further prioritizes individual choices and freedoms over the pursuit of communal flourishing. In addition, an emphasis on social conditions for well-being seems to neglect the inner dimensions of happiness, which, as Augustine and Aquinas argue, is rooted in a right relationship with God and not contingent on capabilities. Happiness, according to Augustine, is what everyone wants, and this desire stems from being created in the image of God. Sen's approach also does not show how we measure if those capabilities are directed towards the good and just. True standards of living that lead to economic justice should first be measured by the role economic goods play in a life well lived. This point will be discussed further in chapter four, when developing the Augustinian choice model.

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[166] Comim, Flavio, et al., editors. *The Capability Approach: Concepts, Measures and Applications* (Cambridge University Press, 2008).

Aquinas and Augustine's treatment of justice in economic exchange, however, helps modern economic thought see what an economic system operated humanely looks like, by differentiating the power to procure and dispense material goods from the ability to use them.[167] According to Augustine and as elaborated by Aquinas, while at creation humanity was given dominion over material goods, the way these goods are used are to be directed towards the common good. Augustine argues that "use" is to employ whatever means are at one's disposal to obtain what one desires, if it is a proper object of desire.[168] This means that a pursuit of personal property for the purpose of advancing human flourishing is not contrary to God's desire for humanity to flourish and dominate the earth. However, when material goods are pursued for or put to unlawful use, their use becomes an abuse, leading to *libido dominandi*: the unlawful dominance of others.[169] Aquinas supports this point by noting that "when Ambrose says: Let no man call his own that which is common, he is speaking of ownership as regards use…. ownership of possessions is not contrary to the natural law, but an addition thereto devised by human reason. A man would not act unlawfully if by going beforehand to the play he prepared the way for others: but he acts unlawfully if by so doing he hinders others from going."[170] This understanding of justice and use was employed by the Aquinas and the Scholastics to address the issue of usury. While Augustine did not directly address the issue of usury, his position on consent and greed informed Aquinas's treatment of the topic. He condemned the charging of

[167] Aquinas, *Summa*, II-II. Q66. A2. C

[168] Augustine, *On Christian Doctrine*, Ch. 4

[169] Ibid.

[170] Aquinas, *Summa*, II-II. Q66. A2. Rep 1, 2, 3.

interest on loans as contrary to commutative justice. Aquinas's concept of what constitutes a "just wage" was also connected with his broader understanding of justice.[171]

Scholastic thought continued into the seventeenth century with further development and refinement of most if not all of Aquinas's doctrines. The scholastic doctors of the fourteenth century to the late Middle Ages expanded on Aquinas's ideas, integrating them with the economic realities of their time. Schumpeter notes that it was within their systems of moral theology and law that economics gained its separate existence.[172]

From the fourteenth century, the product market widened, marked by the expansion of trade. Farming, famine and the great plague of the fourteenth century led to growth in urbanization as survivors moved to the cities, resulting in a shift from a natural economy to a money economy, commercial production and technological developments.[173] The frequency of natural disasters compounded by considerable price inflation meant urban dependence on the immediate countryside due to lack of long distance forms of transportation.[174] The development of a money economy, together with the general increase in population, became a basic source of the period's ideological and social conflicts. Acquisition of liquid assets became important, and the new money economy affected the character of traditional groups and institutions as kings and princes saw the need for even greater revenues to maintain mercenary armies and develop loyal administrations.[175] The division between labor and capital that characterized modern capitalism

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[171] Aquinas believed that a wage is just when it fairly compensates the worker for his labor, considering the needs of the worker, the nature of the work rendered and the conditions of the market. This was because of the belief that labor was not a mere commodity but rather it was intrinsically connected to human dignity.

[172] Schumpeter, *History of Economic Analysis*, 97.

[173] Carter Lindberg, *The European Reformations,* 2nd ed. (Malden, MA: Wiley-Blackwell, 2009), 24-25.

[174] Andrew Cunningham and Ole Peter Grell, *The Four Horsemen of the Apocalypse: Religion, War, Famine and Death in Reformation Europe* (Cambridge, UK: Cambridge University Press, 2000), 200-46.

[175] Steven Ozment, *The Age of Reform 1250 – 1550: An Intellectual and Religious History of Late Medieval and Reformation Europe* (New Haven: Yale University Press, 1980), 193.

established itself during this time, thus leading to an attitude of individualism. The marketplace and the idea of individual competition had gained inroads into general society. Usury and receiving interest were now allowed, and the economy now revolved around the market as an agent of demand, supply, and interpersonal exchange.[176] Therefore, by the Late Middle Ages, the model of market exchange had been refined. Notwithstanding this development, the economic theory of the scholastic doctors was still embedded within a larger moral and theological context framed by the Scripture. According to Greg Forster, the scholastics effectively invented the field of economics by developing many of the key concepts that economists still use as part of their investigation of moral philosophy.[177]

Section II:5 The Impact of the Reformation Ideas on Economic Thought

Christianity through the ages has always challenged injustice and the abuse of power. Through the works of the scholastics, the common person's perspective about economic life and systems began to shift, leading to challenging unjust hierarchies of power. Forster notes that as this work of restraining the powerful developed, the idea of natural rights emerged in Christian thought. Scholastic teachers began to speak about natural rights as something that individuals could claim.[178] Brian Tierney observes how this carved out zones of personal freedom for each individual, which according to the natural law must be respected.[179] Nonetheless, the scholastics' discussion around natural rights was often centered on the inherent dignity of the individual and the moral obligations that arise from human nature. Their view on natural rights centered on the

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[176] Rossner, *On Commerce and Usury (1524)*, 78-79.

[177] Greg Forster, *Economics: A Student's Guide* (Wheaton, IL: Crossway, 2019), 69.

[178] Forster, *Economics*, 74.

[179] Brian Tierney, *The Idea of Natural Rights: Studies on Natural Rights, Natural Law, and Church Law 1150-1625* (Grand Rapids, MI: Eerdmans, 2001), 43-77.

creation account, and their emphasis on individual dignity and moral reasoning in addition to the rediscovery of classical texts played a crucial role in the development of "humanism."

Humanism sought to explore the potentials and achievements of human beings, drawing heavily from classical sources. The humanists turned to the classical texts not merely as objects of scholarly interest, but as sources of moral and practical wisdom. The goal was to emulate the eloquence, virtue, and civic mindedness of the classical authors, which they believed could improve their own societies. They employed philology and textual criticism to understand and correct ancient texts accurately, as well as other disciplines that the scholastics had either neglected or failed to develop to the same extent. Their work laid the foundations for modern humanities. In addition, humanism encouraged observation and inquiry into the natural world, laying the groundwork for the scientific revolution. Forster observes that the humanist movement led to two major new forces that reshaped economic thought and practice: Martin Luther's Ninety-Five Theses in 1517, which laid the theological groundwork for the Reformation, and Niccolò Machiavelli's *The Prince*, which laid the philosophical groundwork for modern secularism.[180]

At the heart of *The Prince* is the idea that the exercise of power is not bound by moral considerations but by what is effective in maintaining stability and control. Machiavelli argued that political and economic systems can become irrational and dysfunctional if they rely on God as a guide to everyday life.[181] Tired of the papacy's abuse of ecclesiastical power, Machiavelli argued that men are dupes of their simplicity and greed and conceal their vices under the cloak of religion. Therefore, government should be elevated into the leading and living moral force

[180] Forster, *Economics*, 78.

[181] Ibid.

capable of inspiring the people with a just recognition of the fundamental principles of society.[182] Machiavelli related a republic's political strength to its glory.

John Milbank notes that while Aristotle saw the strong, wealthy aristocrat who is able to exercise magnanimity as the type of civic excellence, in Machiavelli the supremacy of the virtues of heroic strength related to the glory of the republic becomes much more marked.[183] With the shift away from religious morality to human nature and empirical evidence in political decision-making, the groundwork was laid for a secular society, where science could advance unencumbered by religious constraints. Forster points out that the secular face of humanism thought that poverty and injustice could be solved by rational rulers and experts thinking through the right ways of reorganizing society. This demanded a rationalistic reevaluation of social order that suppressed moral questions in favor of social analysis.[184]

The religious face of humanism was the Protestant Reformation. While the political scene had changed from the time of Aquinas, the Protestant Reformers carried on in a similar method and spirit as the thirteenth century scholastic doctors. Schumpeter referred to them as the Protestant (or laical) scholastics.[185] Quoting Louis Blanc, George O'Brien, in *An Essay on the Economic Effect of the Reformation*, argues that the sixteenth century was the century of intelligence in revolt, which beginning with the church, prepared the ruin of every ancient power.[186] According to him, in the Middle Ages, economies were embedded in their larger social

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[182] See Nicolo Machiavelli, *The Prince*, Trans. W.K. Marriot (London, UK: J.M. Dent & Sons Ltd, 1908), xxi.

[183] John Milbank, *Theology and Social Theory*, 33.

[184] Forster, 79.

[185] Schumpeter, *History of Economic Analysis*, 116.

[186] George O'Brien, *An Essay on the Economic Effect of the Reformation* (Norfolk, VA: IHS Press, 2003), 3.

contexts, where transactions relied on trust, norms of exchange and institutions that regulated their nature and terms. With the Reformation, however, came the separation of the discipline of economics from revealed religion.[187] He argues that the science of ethics in the Middle Ages was dealt with exclusively by the church in the light of revelation and natural reason and the individual's moral life was controlled by ecclesiastical legislation enforced by spiritual sanctions, thus creating an intimate relation between religious and economic life of Europe.[188] He further argues that the insistence on the unbroken unity of a person's career before and after death had a powerful influence on medieval conceptions of economic values.[189] This stance on death, Charles Taylor argues, represents both a Christianization and an individuation.[190] According to him, the anxious turning towards death and judgement represented a Christianization of the people's way of living mortally, and the whole dimension of response to the call, judgment, transformation was one which appealed to individual responsibility.[191] The individualization of death and judgment birthed the solidarity for intercession for the dead by the living, thus leading to Purgatory as the main point of spiritual concern and action. However, the abuse of this system by the Papacy and the exploitation of the fears and ignorance of laity towards selfish ends and the purposes of Rome led to the ultimate revolt. Yet O'Brien fails to delve deeply into the ecclesiastical abuses and the exploitation of papal authority, which were pivotal in fomenting dissent among the laity and leading to the Reformation, thus making his argument one-sided. Therefore, his critique of the Reformation for moving the judgment in morality from the realm of

[187] Ibid., 9-14.

[188] Ibid., 20-21.

[189] Ibid., 22.

[190] Taylor, *Secular Age*, 66.

[191] Ibid., 67.

the church to the private individual is unfair, given that the church itself had begun emphasizing individual responsibility in eschatological matters, as Taylor posits.

O'Brien further argues that the Reformation not only weakened the Church in its relation to the non-Christian world, but also weakened its power to deal with the communist heretics, who had at no time been completely absent from Europe, but who had been severely kept in check because the Church was powerful.[192] Jaime Balmes notes that "when breaking the unity of European civilization, Protestantism introduced discord into the bosom of that civilization, and weakened the physical and moral action which it exercised on the rest of the world."[193] Michael Laffin, however, thinks that the work of the Reformers, especially Luther's teaching on the *two ecclesiae*, was to show how Christians can fully participate in exploring common goods that all humans (whether Christians or non-Christians) share together as creatures of the same God.[194] According to Laffin, the generation and preservation of a city can never be attributable to human activity, but must always account for the ongoing presence and activity of God in the world.[195] Based on Laffin's point, it is safe to say that the Reformation, rather than weakening European civilization as argued by Balmes, instead encouraged a diversification of thoughts that led to a vibrant culture of debate, innovation, and intellectual growth. Furthermore, the values promoted by the Reformers, such as hard work, thrift, and efficiency, played a crucial role in economic growth in Europe. This economic strength, rather than contrary to the idea of weakening Europe's influence on the global stage, arguably increased it. What then were some of the ethical

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[192] O'Brien, *An Essay on the Economic Effect of the Reformation*, 35.

[193] Balmes, Jaime Luciano. *Protestantism and Catholicity Compared in Their Effects on the Civilization of Europe*. Project Gutenberg, 2015. 212.

[194] Michael Richard Laffin, *The Promise of Martin Luther's Political Theology: Freeing Luther from the Modern Political Narrative* (Oxford, UK: T&T Clark, 2016), 105-6

[195] Ibid.

teachings of the Reformers regarding economic matters? The second part of this section will provide a more detailed study of the works of the Reformers as it pertains to economic issues.

Section II: 5:1 The Economic Legacy of the Reformers: Shaping Modern Economic Thought

Luther and Calvin did not directly address the economic maladies of their time, rather their writings on lending, money, property, and morals were circumstantial. Luther's teaching for example, was based on the fundamental idea that the individual Christian was justified before God. Therefore, his sermons began from the moral content of the gospel. Jurgen Prien notes that because Luther was living in a time of transition, he was not specific about lending in a context of *caritas* or lending in the context of a growing capitalist market, so rather than address interest directly, he addressed the sin that he perceived from the actual practice in his own practical context.[196] Furthermore, Luther's doctrine of "the two kingdoms," borrowing from Augustine's *City of God,* focused on the spiritual and the temporal, touching on both ecclesiastical power and everyday political life, including economics, usury, and the problem of avarice. With this view, at a time when so much money was spent on religious donations and indulgence, the spiritual side of the two kingdoms or estates meant that, for Luther, only the inner life mattered. Philip R. Rossner notes that Luther's view here, was a remarkable detour from mainstream scholastic ideology.[197] Echoing the teachings of Augustine, Luther, while not opposed to wealth/property possession, provided a biblical view of wealth acquisition. He states:

> "Happy is the rich man, who is found without blemish, who does not run after gold, and has not set his confidence in the treasures of money…. For greed has here a very beautiful, fine cover for its shame, which is called provision for the body and natural need, under cover of which it accumulates wealth beyond all limits and is never satisfied;

[196] Jurgen Prien, *Luther's Wirtschaftsethik* (Göttingen: Vandenhoeck & Ruprecht 1992), 216-224.

[197] Philip R. Rossner, ed. *Martin Luther: On Commerce and Usury (1524)* (London; New York: Anthem Press, 2015), 3.

> so that he who would in this matter keep himself clean, must truly, as he says, do miracles or wondrous things in his life."[198]

Luther, contrary to what many argue, was not advocating that people should not labor and seek to earn a living. Rather, his point was that labor should not be driven by greed. Citing Matthew 6, he argued that a full trust in God is the only way that ensures that the material needs of individuals are satisfied.[199] On unjust and just or unrighteous and righteous prices, Luther notes that the motto of the merchants as well as the crux of all their practices was based on selling their wares as dear as they can, which gives no heed for one's neighbor and so goes shamelessly against not only Christian brotherly love, but also against natural law.[200]

Since lending and borrowing was an integral part of an exchange economy, Luther saw the need to address the way lenders exploited the borrowers. The issue of usury was the only economic issue Luther addressed directly. He saw usury as the root of all the economic evils of his time. He affirmed the biblical prohibition of usury and saw it as permanently binding. Based on this, he condemned completely any attempt to charge interest because for him, Christians were meant to be willing and glad to lend money without any charges. Following in the steads of Aristotle, Luther emphasized that money was sterile and therefore money could never beget money. Any attempt to profit from interest was evil. His pamphlet on usury put an intense pressure on public opinion and, as a result, the coins and monopolies subcommittee at the second Imperial diet in Speyer discussed the issue of usury and monopolies, ultimately upholding its prohibition. The same happened in the Imperial diet in Augsburg in 1530.[201]

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[198] Luther. *A Treatise on Good Works*, 59. eBook

[199] Luther, *A Treatise on Good Works*, 59. eBook

[200] Luther, *On Trade and Usury*, 18.

[201] Helge Peukert, "Martin Luther: A First Modern Economist," *The Reformation: As a Pre-condition for Modern Capitalism*, Jurgen Backhaus, ed. (Berlin: Lit Verlag, 2010), 46-47.

Calvin argued for usury, perhaps since the survival of the city of Geneva depended upon being able to sustain and develop its urban economy and remain a sovereign. For him, the issue was not with usury, but with the exploitation of the poor through high interest rates. Calvin's teachings focused on exhorting and instructing the believers on the purpose for why they were created. He taught that the Creator had endowed the world and humans with many earthly gifts, so that nothing would be lacking in all of creation. In his Commentaries on the First Book of Moses he notes:

> *And let them have dominion*…. In the very order of the creation the paternal solicitude of God for man is conspicuous, because he furnished the world with all things needful, and even with an immense profusion of wealth, before he formed man. Thus, man was rich before he was born. But if God had such care for us before we existed, he will by no means leave us destitute of food and of other necessaries of life now that we are placed in the world. Yet, that he often keeps his hand as if closed is to be imputed to our sins.[202]

Calvin argued that due to sin, the creation is no longer perfect the way God made it. Yet God in his mercy still elects some to be redeemed. Elsie McKee notes that Calvin operates in his theology with certain axioms about truth that require no proof. One such axiom is the conviction that God is good and just, and therefore whatever He wills is good and right by definition. Another axiom is that Christ is the sole Savior, which implies that no one can rightly know God without coming through Christ. Lastly, Calvin operates with the Bible as the sole and sufficient revelation of God's will.[203] McKee asserts that to understand Calvin's social and economic thoughts, one needs to operate from these axioms. Thus, to understand Calvin's teaching on the

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[202] John Calvin, *Commentaries on the First Book of Moses, Called Genesis*, 1:26, https://www.ccel.org/ccel/calvin/calcom01.vii.i.html

[203] Esie A. Mckee, "The Character and Significance of John Calvin's Teaching on Social and Economic Issues," *John Calvin Rediscovered: The Impact of His Social and Economic Thought*, Edward Dommen, and James D. Bratt, eds. (London: Westminster John Knox Press, 2007), 4.

social and economic life, it is important to understand his doctrine on the Christian life, Christian freedom, and the law.

On the Christian life and freedom, Calvin instructs the believers on how to value and use the earthly life in which we presently live. He insists that even though the future life is better in comparison to the earthly life, the future glory ought not to lead Christians to disregard the earthly life as evil. In fact, Christians, are meant to meditate on their future life in order to reevaluate the value they place on present life. For Calvin, everything God has created is meant for enjoyment and use. To this end, material blessings, if rightly used, serve as a means of worshipping God. Worshipping here means thankfully acknowledging the source of such blessings as well as being responsible stewards of the blessings:

> The natural qualities of things themselves demonstrate to what end, and how far, they may be lawfully enjoyed. Has the Lord adorned flowers with all the beauty which spontaneously presents itself to the eye, and the sweet odor which delights the sense of smell, and shall it be unlawful for us to enjoy that beauty and this odor? What? Has he not so distinguished colors as to make some more agreeable than others? Has he not given qualities to gold and silver, ivory, and marble, thereby rendering them precious above other metals or stones? In short, has he not given many things a value without having any necessary use?[204]

Calvin noted that acquisition of luxury and property was God's blessing to people. However, he cautioned that some good and holy men could fall into the dangers of excess, thus leading to evil. But if possessing luxury was of necessity, there was no evil in acquiring it. He identified some groups of people who, in a bid to avoid the temptation of abusing the freedom of property, argued that for abstinence from everything good except bread and water. Against such individuals, Calvin argues that excessive self-denial is as dangerous as its opposite vice, greed,

[204] John Calvin, *Institute of Christian Religion*, Henry Beveridge, trans., 3.10.2. https://www.ccel.org/ccel/calvin/institutes.i.html

because it binds the conscience in closer fetters than those which are provided by the Word of God.[205]

Granted, the Protestant Reformers did not develop economic theories and analyses in the way we understand modern economics today. Their primary concerns were theological and ecclesiastical reforms. However, through their writings, and sermons, they contributed indirectly to the development of economic thought and practice. They laid ethical foundations that influenced economic behavior. Their emphasis on honesty, integrity, and responsibility in personal and professional life introduced a moral dimension to economic transactions, which was revolutionary at a time when economic activities were often dominated by feudal allegiances. By teaching that all forms of work had inherent value and was a means of glorifying God, they elevated the status of secular occupations which had erstwhile been considered inferior to religious vocations. This encouraged a more productive and diversified economy. On the other hand, the Reformation advocated for a more personalized approach to faith, emphasizing personal devotion and spiritual discipline. This shift moved the focus of faith from traditional collective rituals and community to a more individualized spiritual experience, thereby compelling the disciplined elites, according to Taylor, to move towards a conception of the social world as constituted by individuals.[206]

Weber's thesis is therefore not very far from the truth by arguing that there was a correlation between the Protestant ethic (Reformation) and capitalism. Taylor notes that contrary to Weber's argument of a direct correlation, the correlation instead was more diffuse and indirect. He notes:

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[205] Ibid., 3.10.1.

[206] Taylor, *A Secular Age*, 156.

> If we really believed, following the most vulgar forms of Marxism, that all changes can be explained by non-spiritual factors, say in terms of economic motives, so that spiritual changes were always dependent variables, this would not matter. But in fact, the relationship is much more intimate and reciprocal. Certain moral self-understandings are embedded in certain practices, which can mean both that they are promoted by the spread of these practices, and that they shape the practices and help them get established.[207]

Taylor's statement here suggests that while Protestantism may have played a role in shaping the ethos of capitalism, it was one factor among many, interacting in complex ways with the emerging economic system. This perspective encourages a more holistic understanding of historical causation, recognizing that societal changes like the rise of capitalism are rarely the product of a single cause or ideology.

Section II:6 Beyond Reformation Ideas: Secularization of Economic Thought

The Protestant scholastics, though now separated from the thirteenth century scholastics due to religious split and a change in the political climate, still held to the spirit and many of the methods of those scholastics. Schumpeter notes that while their contribution was not that significant, they however served as a link into a sequence that then ran way into the nineteenth century.[208] Yet as discussed above, the Reformation contributed not so much to economic theories as to economic thought and practice. With secular humanism and religious humanism changing the religious, political, and economic landscape, the seventeenth century became a pivotal era for the development of both economic theory and the broader framework of natural law, with several key philosophers making significant contributions.[209] Just like the scholastics, the philosophers of this era aimed at developing a comprehensive social science where

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[207] Ibid.

[208] Schumpeter, *History of Economic Analysis*, 116.

[209] Natural law philosophy, which posits that certain rights or values are inherent by virtue of human nature and universally cognizable through human reason, influenced the emergence of modern economic theory.

economics played a specific role. Figures like Thomas Hobbes, Hugo Grotius, John Locke, and Samuel Pufendorf played instrumental roles in this intellectual evolution.

The natural law tradition of the thirteenth century scholastics showed principles in the creation account that could lead humans to a flourishing life. O'Brien refers to this as an "optimistic teleology," which has as its source the Christian God.[210] However, by the seventeenth century, with secular humanism connecting technological and scientific progress to social progress, the notion that everything had its source in God became secularized. Halteman and Noell asserted that this the secularization process was helped along by the rigidity and exclusiveness of Christendom, which led to the persecution of thinkers that held ideas that ran counter to those of the established church.[211] John Milbank notes that the Protestant Reformation and seventeenth century Augustinianism privatized, spiritualized and transcendentalized the sacred, concurrently reimagining nature, human action and society as a sphere of autonomous, sheerly formal power.[212] With a new awareness and elevation of the self, reasoning, and the dignity of one's faith and convictions, thinkers like Grotius and Hobbes gave political theory its autonomy from theology. Hugo Grotius, a Dutch philosopher, often credited as the "father of international law," published "On the Law of War and Peace" (*De Jure Belli ac Pacis*), a work which laid foundational principles for international relations and law, including those affecting trade and economic relations between states. Grotius's natural law theory, like Aquinas, proposed that certain moral truths are universally applicable and can be known through reason, which influenced the development of ideas concerning free trade and the economic relations between nations. However, unlike Aquinas's natural law that was derived from divine law,

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[210] O'Brien, *The Classical Economist*, 28.

[211] Halteman and Noell, *Reckoning with Markets*, 78.

[212] John Milbank, *Theology and Social Theory*, 9.

reflective of God's eternal law, and constitutive of God's providence guiding human beings to their proper ends, Grotius' natural law theory was valid *esti deus non daretur* (as if God did not exist).[213] For him, natural law principles could be understood and applied through human reason alone, without necessarily invoking God. On the basis of this, Grotius emphasized the importance of property rights and contracts, which are essential concepts in economic theory.[214] Borrowing from Augustine, he referred to the distinction between "use" and "enjoyment," but unlike Augustine, Grotius argued for their interconnectedness.[215] For Grotius, "use' should be understood, not as 'using one thing for another thing,' but the use which is joined with enjoyment.[216] He therefore viewed property possession as a natural right derived from individual liberty and the need for self-preservation.

Thomas Hobbes is primarily known for his political philosophy, especially as articulated in his work *Leviathan*. His work draws on Grotius's framing of natural law and Spinoza's philosophical claim that a thing possesses an innate inclination to continue to exist and enhance itself. Hobbes argued for the necessity of a strong, centralized authority to prevent societal collapse—"the war of all against all"—since "the universe was an absolute ruling state."[217] Mark Lilla notes that *Leviathan* demonstrates with geometrical precision how to create a world which sovereign individuals, freed from fear of their fellows and of eternal damnation, can apply themselves to the mundane but rewarding task of improving their lot.[218] Hobbes, just like

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[213] Grotius, *Prolegomena*, XI, 9-30.

[214] Hugo Grotius, *De Jure Belli ac Pacis, Libiri Tres*, Book II, Chapter 12

[215] Augustine argued that humans were meant to enjoy God and use the material world to achieve that enjoyment of God. To "enjoy" therefore is to love something for its own sake, while to "use" is to employ something for the sake of reaching something else that is loved.

[216] Ibid., 345

[217] Thomas Hobbes, *Leviathan*

[218] Mark Lilla, *The Stillborn God: Religion, Politics, and the Modern West* (New York: Vintage, 2008), 87.

Machiavelli, attempted to explain human morality solely through the use of a natural calculus and mathematical logic. While his approach did not gain wide acceptance, given that most still retained the historic Christian view about morality being deeply connected to a transcendent God standing above human nature, Hobbes' work still laid the groundwork for later economic theories on the role of the state in society, including the regulation of commerce and the protection of private property as a fundamental right. Although Hobbes himself did not delve deeply into economic theories, his emphasis on social contract theory and the need for order in society set the stage for economic discussions on market regulation and the justification of governmental intervention.

John Locke (1632-1704) also subscribed to this form of geometrization of ethical understanding, departing away from Aristotelian and scholastic thought and arguing that their claims were frivolous and false. While he argued that the existence of God and the obedience humankind owes him finds congruence with the light of reason and the law of nature, he nonetheless asserted that many moral rules can receive a general approbation from those who have no notion of the true ground of morality. As a result, he argued that a virtuous action is generally approved not because it is innate, as argued by Aquinas and the earlier scholastics, but because it is profitable for society.[219] We assent to a moral rule and only then become convinced of its obligatory nature. Against the idea that conscience primarily drives moral decisions, Locke points out that some men, "with the same bent of conscience, prosecute what others will avoid."[220] Therefore, Locke's perspective marks a shift away from viewing morality as innately

[219] John Locke, *An Essay Concerning Human Understanding*, Book 1, Ch. 1:6-8.

[220] Ibid., Book 1, Ch. 1:8.

known, established by divine ordinance or abstract metaphysical principles, and towards understanding it as derived from human reason and societal utility.

According to O'Brien, the Reformation not only made easier the progress of already existing sects, but it opened the way for new ones.[221] Locke was one of many thinkers, according to Lilla, who thought it both necessary and possible to convince Christian churches to liberalize themselves doctrinally and organizationally by making the powerful claim, which today has been taken as self-evident, that churches are voluntary associations dedicated to the private worship of believers. He also insisted that individual sects should tolerate one another and that society should enforce the strict separation of church and state.[222] By framing rights as inherent and universal, Locke helped to promote a view of economic interactions as governed by natural laws rather than religious doctrine. On that basis, he argued that property rights are justified by the labor one expends to transform nature into valuable goods. This labor, which benefits society by improving resources, is both a moral and economic act, reinforcing the alignment of ethical behavior with societal benefit.[223] Locke's emphasis on property and labor as foundations of value influenced the development of classical economics.

To protect the right to property ownership, Locke argued for the need to enter a contract. Social contract theory, which posits that the legitimacy of government depends on its ability to protect these rights and benefits, profoundly influenced political economics and the justification of governmental roles in economic activities. In addition, by linking morality to social profitability rather than innate qualities, Locke paved the way for utilitarian thinking in economics, which assesses actions based on their outcomes or utilities. This emphasis on

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[221] O'Brien, *Essay on the Effect of the Reformation*, 35.

[222] Lilla, *The Stillborn God*, 100

[223] John Locke, *The Two Treatise on Civil Government*, Book V.

outcomes rather than inherent virtues influenced Adam Smith and Jeremy Bentham, who focused on how economic activities and policies contribute to overall welfare and happiness.

Samuel Pufendorf (1632-1694), who was instrumental to the transmission of scholastic economic thought and theory to American colonies, wrote the work *On the Duty of Man and Citizen According to Natural Law*. In this work, he elaborated on natural law theory, emphasizing that individuals have natural rights, including the right to own property. However, for these rights to be enjoyed, a social contract must be entered wherein individuals consent to surrender some of their freedoms to a government in exchange for protection of their remaining rights.[224] Building on the ideas of Grotius and Hobbes, Pufendorf saw natural law as a framework designed to foster sociability and maintain social order. However, he diverged from Hobbes by asserting that natural moral laws exist even in the state of nature—a state Hobbes viewed as morally anarchic, hence the need for the *Leviathan*. Pufendorf concurred that only a sovereign civil government could ensure the security that natural law aimed to achieve. He therefore endowed the sovereign state with its secular legitimacy as an entity established by humans to attain social peace, endowed with the absolute authority to dictate and implement policies best suited for this purpose.[225]

John Mueller asserts that Pufendorf embraced and renewed Augustine's and Aquinas's argument that among citizens who disagree about divine revelation, only reasoning from common human experience (natural law) could provide a workable basis for government.[226]

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[224] Samuel Pufendorf, *On the Duty of Man and Citizen According to Natural Law*, James Tully, ed. (Cambridge, UK: Cambridge University Press, 2001).

[225] See Thomas Behme, "Pufendorf's Doctrine of Sovereignty, and its Natural Law Foundations." In: Hunter, I., Saunders, D. (eds) *Natural Law and Civil Sovereignty* (Palgrave Macmillan, London, 2002), 43 https://doi.org/10.1057/9781403919533_4

[226] Mueller, *Redeeming Economics*, 33.

However, the natural law tradition of Aquinas indicated principles in creation capable of pointing humans to a fulfilling life having its source in God. The natural law in Pufendorf's work as noted by Ian Hunter consisted of a term-by-term criticism and reconstruction of the anthropology, theology, epistemology, and politics of Christian natural law.[227] Ian further notes that in place of the constructs of Christian natural law, Pufendorf provided a structure in which the natural condition is that of weakness and mutual predation in postlapsarian state of nature—a state of perpetual war, according to Hobbes. Because of sin, which has damaged human faculties, humans have been cut off from access to divine or transcendent norms and thus must create norms for himself. However, these norms must find their effective interpretation in the commands of the civil sovereign, because humans are too fractious and self-interested to agree on norms.[228] However, by disregarding all theological claims regarding holiness or rational self-governance, the sovereign will derive these norms from the goal of social peace and then enforce them as law.[229]

While Pufendorf's thought might be considered as a development of Augustine's concept of original sin, for Augustine, the social nature of human beings and the importance of states in the regulation of social order was an act of God's providence. In *The City of God*, distinguishing between the desire for glory and the desire for domination, Augustine notes that:

> But even in the case of men such as this, the power to dominate is given only by the providence of the supreme God, when he judges that the state of human affairs deserves such overlords. The voice of God is clear about this, where the wisdom of God declares, by me kings reign, and by me tyrants hold the earth (Prov. 8:15). It might be supposed that the word "tyrant" here means not evil and unjust kings but rather strong rulers, as in the ancient sense in which Virgil says….But to exclude this sense, Scripture most clearly

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[227] Ian Hunter, *The Secularization of the Confessional State: The Political Thought of Christian Thomasius* (Cambridge: Cambridge University Press, 2007), 91.

[228] Ibid.

[229] Ibid., 92.

> says of God in another passage, He causes the hypocrite to reign on account of the perversity of the people (Job 34:30).[230]

As opposed to Pufendorf and the other thinkers already discussed above, Augustine locates earthly government and its attendant authority within God's plan for humankind. He desires leaders who are endowed with true godliness and who lead good lives, given that they are skilled in governing people. In his view, this would make for a happier state of human affairs.[231]

Augustine neatly negotiates the need for a social contract in the earthly city. Why, then, did these thinkers, who supposedly expanded on Augustine's thought, rebel against a transcendental natural law? And how did a society still entrenched in Christian beliefs accept this secularization process? Halteman and Noell and Taylor note that as a result of the rigidity and exclusiveness of Christendom, which led to the persecution of thinkers whose ideas ran contrary to the established church, and the constant bitterly fought wars of religion in the early seventeenth century, the ground for secularization was watered.[232] Therefore, from Grotius's need to give a firm foundation to the basic rules of war and peace, to Hobbes' Leviathan, to Locke's social contract and Pufendorf's natural law theory, each of these thinkers saw the hierarchical structure of medieval society as the main cause of its breakdown and highlighted the importance for the need of a society that exists for the mutual benefit of individuals and the defense of their rights.[233] Taylor notes that while pre-modern society had various modes of hierarchical complementarity which were viewed as ideal, the modern ideal, as postulated by the

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[230] Augustine, *City of God*, I-X, Trans. by William Babcock (Hyde Park, NY: New City Press, 2012), Book V.19, 172.

[231] Ibid., 172-3.

[232] See Halteman and Noell, *Reckoning with Markets*, pg., and Taylor's *A Secular Age*, 159-160.

[233] See Taylor, *A Secular Age*, 160-185.

thinkers in this section, was one of mutual respect, irrespective of how that respect is achieved, and the ordinary goals of life, liberty, sustenance of self and family.[234]

For the hierarchical order to retain its dominance, it has to either appeal to or exploit the weakness of the people. In the case of pre-modern society, this weakness was the fear of death as identified above. Hobbes explained how the state declines into a perpetual state of war because of fear and aggression. In order to escape the fear of death, humans recognize a social contract, giving unlimited power to a "sovereign" who guarantees peace.[235] Since the natural person is a desiring being, according to Hobbes, that also means he is a fearful being who feels that others desires are in competition with his own desires. Hence, in a bid to defend himself, in the absence of political authority, he resorts to war to protect his desires. If this is the state of nature, and humans fear nature because they are ignorant and desirous, they are inclined to turn to whatever object helps secure that desire. For the pre-modern society, this securing object was God. Lilla notes that even though God is reputedly slow to anger, the threat of his displeasure is infinitely more terrifying than the threat of a fellow human. Hence, the way for a person to protect himself from God's anger was to worship and try to obey God. But since the common person is ignorant, he cannot be certain of what God demands. Hence, he turns to the priests who claim to have this knowledge. But on Hobbes's formulation, those priests can only see this relationship as a means to acquire power because they are human beings, locked in a perpetual struggle for mastery, seeking all the power they can lay their hands on.[236]

In addition to the already existing cycle of fear and violence, this quest for power leads to new fears and new reasons to anticipate war. But according to Hobbes, the human mind is

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[234] Ibid. 164-6

[235] Lilla, *The Stillborn God*, 81.

[236] Ibid., 81-84.

limited, and those priests who claim to know the will of God are also subject to these limits. Therefore, since God's will cannot be fully known to humans, the best way to guarantee relative peace is a social contract. This contract involves individuals collectively agreeing to surrender some of their freedoms to a sovereign authority that can enforce peace and order. The legitimacy of this authority comes not from divine right or religious endorsement but from the consent of the governed. It is partially aimed at preserving life and preventing the chaos of constant conflict, but more importantly, it ensures the mutual respect and service of the individuals that make up a society. Since the natural person is a desiring being who possesses a will, he is most inclined to gravitate towards any idea that frees him to exercise his will towards his desires. And since Locke argues from the basic normative principle that members of society, if they serve each other's needs and help each other by behaving like the rational and social beings that they are,[237] he therefore concludes that this arrangement of society can achieve some form of peace and flourishing.

Here one begins to see why the ideas of these thinkers were able to gain traction. Yet for these ideas to gain legitimacy in a theological and metaphysical era, Milbank notes that they had to be theologically promoted.[238] There had to be a redefinition of the creation mandate, where subduing and dominating the earth was translated into the pursuit of power, property, active rights, and absolute sovereignty.[239] *Dominium* as power, according Milbank, could only become the human essence if it was seen as reflecting the divine essence.[240] Since God designed the universe in such a way that everything coheres with his purpose, *dominium* means that humans

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[237] Taylor, *A Secular Age*, 165.

[238] Milbank, *Theology and Social Theory*, 15.

[239] Ibid., 13.

[240] Ibid., 15

have been endowed with reason (*facultas*) to see that they are a sociable beings, responsible for the preservation of not just their own lives but also those of others as well. As a result, the imposition of order by human will is reflective of the divine scheme.[241]

While this interpretation of *dominium* is theologically correct in part, Taylor also sees in Locke's formulation a mutual service contingent on profitable exchange.[242] Therefore, in contrast to hierarchical complementarity, economic activity was to become the model for human behavior and the key for harmonious co-existence.[243] The individualism promoted by humanism, together with the mutual benefit postulated by the seventeenth century thinkers discussed above, became the only remaining foundations for society after religion and metaphysics had been removed from the human nature. The quest for freedom as defined by Rousseau became the basis for a new definition of virtue, and thus a new social imaginary was established.

Taylor notes that, very often, a theory held by a few elites will inevitably come to infiltrate the social imaginary of society at large.[244] James D. Hunter concurs:

> It is sometimes true that economic revolts (as in labor protests) and social movements (such as environmentalism) occur from the "bottom up;" that is, through the mobilization of ordinary people. And while they can have tremendous influence, on their own terms, the specific ends are often limited and/or short-lived. It is also true that political revolutions can take form and spread through the recruitment and organization of popular protest. Such revolutions, however, nearly always involve leadership from the ranks of marginal and disaffected elites who build new organizations that coalesce revolutionary changes around new state and national identity. Here too their influence can be enormous. Yet the deepest and most enduring forms of cultural change nearly always occurs from the "top down." In other words, the work of worldmaking and world-changing are, by and large, the work of elites: gatekeepers who provide creative direction and management within spheres of social life. Even where the impetus for change draws

[241] Taylor, *A Secular Age*, 167.

[242] Ibid.

[243] Ibid.

[244] Ibid. 171-2.

> from popular agitation, it does not gain traction until it is embraced and propagated by elites.[245]

With this new social imaginary, it became acceptable to view human nature and society through a non-religious lens. Religion had become something private and personal to the individual rather than communal. However, Halteman and Noell note that while secularization eventually opened the door for deistic views of the world, it did not necessarily lead to the loss of a *telos* for moral thinking.[246] Most thinkers still believed that the universe needed God as an explanation for its origin, even though the generally adopted view was that human social systems had sufficient natural integrity to run on their own accord. Therefore, while belief in God's providential rule still existed, the eighteenth century added to this an appreciation of the way in which human life is designed to produce mutual benefit or mutual benevolence.[247]

This chapter tried to trace the development of economic thought beginning from the classical ideas of Athenian and Greco-Roman thinkers, who often intertwined economic principles with their philosophical and ethical views, all the way into the seventeenth century, where philosophers like Thomas Hobbes and John Locke began to introduce ideas that would foundationally change economic thought. These thinkers moved away from ethical or religious explanations of economic phenomena towards more human-centered approaches. Hobbes and Locke, among others, considered economic behaviors to stem from human nature itself - for example, the desire for self-preservation and mutual benefit in a social contract framework - rather than divine or natural law. This period marked the beginning of economic theories that emphasized individualism and the rational pursuit of self-interest, which influenced and would

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[245] James D. Hunter, *To Change the World: The Irony, Tragedy, and Possibility of Christianity in Late Modernity* (New York: Oxford University Press, 2010), 41.

[246] Halteman and Noell, *Reckoning with Markets*, 79.

[247] Taylor, *A Secular Age*, 177.

later be refined and expanded by the eighteenth-century Enlightenment thinkers. The next chapter will show how the ideas of self-interest, the division of labor, market dynamics, and the role of the state evolved and were debated, profoundly shaping the development of economic theory into the nineteenth century and beyond.

Chapter 3

Augustine and Adam Smith

Even though the church was no longer seen as essential to social stability, its ethical boundaries for what was considered as acceptable in a social system were still upheld. It would, however, be in the works of mid-eighteenth-century thinkers like David Hume and Jean Jacques Rousseau that moral reflections moved away from the transcendental to becoming naturalistic. Returning to Machiavellian-Hobbesian attempt to explain human morality solely by mathematical logic, Hume and Rousseau concerned themselves with finding ways in which human freedom can be preserved even though people had to depend on each other for the satisfaction of their needs. Hume, appealing to Shaftsbury's moral-sense theory (the hypothesis of altruism) – that it is natural for man, who habitually lives in society, to develop feelings for his fellow and hence value the good of other people as it is to develop self-interest and to value his own good – created the moral type of the amiable, easy-going, humane, sober, pleasure-loving egotist person.[248] For Rousseau, the unifying state of happiness and wellbeing constituted the proper end of human life, and it was possible to achieve this through aesthetic self-realization. According to Claar and Forster, this means that our emotional sympathy for one another and our desire to see others happy rather than suffering is natural, even though it must be protected and cultivated by good education.[249] With this high view of human natural desire, it became plausible that moral theory could be explained based solely on human desires. Rosseau simply refined Machiavellian thought which sees the restlessness of all desires as necessitating the main pillars

[248] Schumpeter, *History of Economic Analysis*, 128. Schumpeter notes that the type of person Hume created actually summed up the sort of person he himself was. Schumpeter's comment on Hume is a reminder of the deeply personal nature of philosophical inquiry. It underscores the idea that to fully understand a philosopher's work, one might also need to consider the person behind the ideas, as their personal narrative often informs their philosophical narrative.

[249] Claar and Forster, *Keynesian Revolution*, 42.

upon which all states rest: good laws, armies, and good examples.[250] He shifts the discussion by positing that humans are fundamentally good but corrupted by society. Therefore, the restlessness of desires is not the primary focus. Rather, it is the natural empathy and emotional bonds that connect people. Rousseau's concept of freedom is more aligned today with personal authenticity and the idea of living in accordance with one's true self, which he believed was possible in a society structured around the "general will."

While Machiavelli finds that prudence becomes the direct outcome of taming the beastly desires in man, Rosseau argues that prudence is born out of the emotional sympathy humans have for each other. Augustine on the other hand rejects both of these regimens of prudence on the basis of the determinative sinfulness of the earthly city.[251] He argued that while "prudence teaches us that it is evil to consent to the desire to sin and good not to consent to the desire to sin. But neither prudence…nor temperance...has the effect of removing evil from this life."[252] For Augustine therefore, neither the pursuit of the "amiable, easy-going, humane, sober pleasure-loving egotist person" of Hume or the "emotional sympathy for one another and our desire to see others happy rather than suffering is natural" of Rousseau, could lead to true virtue and the good life, instead, it slips into an ardent pursuit of domination.[253]

There had existed a consciousness of progress before the Enlightenment, but from the late seventeenth century, that consciousness shifted to become a faith in humanity's rational ability to create a more efficient and better society for everyone. Goudzwaard and Bartholomew, identified two potential tensions that came with this modern worldview: first was the tension between

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[250] Doody, Hughes, and Paffenroth, *Augustine and Politics*, 314.

[251] Ibid.

[252] Augustine, *City of God*, XIX:4.

[253] Ibid., Book V:19.

personal freedom and the will to control developed in the proposal of Jeremy Bentham which will be briefly examined in this chapter, and second was tension around dominating nature (whether humankind should dominate nature and overcome all its restraints to realize progress).[254] Schumpeter noted that for Hume and Bentham, the intuitive acceptance of moral law by men, postulated by Grotius and Locke (as discussed in chapter 2) was simply an empty metaphysics. Instead, they were ready to turn their humane egotism into an ideal, meaning that they wanted to convert their theory of conduct into a source of norms for societal conduct.[255] While most of the Enlightenment writers between Hume and Bentham simply expanded on their utilitarian kind of ethics – every action that promotes progress is good, irrespective of its motive, and every action that hinders societal welfare is bad – another writer and thinker, Adam Smith, tried to distinguish between ethics as a theory of behavior and ethics as a theory of people's judgments about behavior.[256] For Smith, ethical judgments hinge on the concept of sympathy, or the ability to put oneself in another's position and to understand their feelings and motivations. This empathetic approach thus serves as the foundation of his moral philosophy, suggesting that ethical behavior stems from the capacity to observe others, share in their experiences, and judge one's actions by the standards observed in them. Providing relatable examples, he asserted that when individuals act out of sympathy and consider the impacts of their actions on others, they are likely to contribute to a more peaceful and cooperative society. This, he postulates, is the path to achieving personal and collective tranquility where each person's actions, moderated by their understanding of others' experiences, lead to mutual respect and ethical behavior.

[254] Bob Goudzward and Craig Bartholomew, *Beyond the Modern Age*, 35.

[255] Schumpeter, *History of Economic Analysis*, 128-9.

[256] Ibid., 129

While the eighteenth century laid particular emphasis on mutual benefit, Taylor notes that this "happy design" was based on the existence of what one might refer to as the "invisible hand" factor.[257] This means that nature has programmed humanity in such a way that certain individual actions have systematically beneficent results for general happiness, even though they were not originally intended for that purpose. Taylor sees Smith's *Wealth of Nations* as providing "the most famous of these mechanisms, whereby our search for our own individual prosperity redounds to the general welfare."[258] He notes:

> But there are other examples; for instance, one drawn from his *Theory of Moral Sentiments*, where Smith argues that Nature has made us admire greatly rank and fortune, because social order is much more secure if it rests on the respect for visible distinctions, rather than on the less striking qualities of virtue and wisdom. The order here is that of a good engineering design, in which efficient causation plays the crucial role. In this it differs from earlier notions of order, where the harmony comes from the consonance between the Ideas or Forms manifested in the different levels of being or ranks in society. The crucial thing in the new conception is that our purposes mesh, however divergent they may be in the conscious awareness of each of us. They involve us in an exchange of advantages. We admire and support the rich and well-born, and in return we enjoy the kind of stable order without which prosperity would be impossible. God's design is one of interlocking causes, not of harmonized meanings.[259]

According to James K. A. Smith, this means that while historically, the doctrine of providence had assured a benign ultimate plan for the universe, with Grotius, Locke, and now Smith, a new emphasis developed: providence became primarily about ordering this world solely for mutual benefits, especially economic benefit and the entire cosmos is seen anthropocentrically as the arena for economic exchange.[260] James Smith describes this new providence as "a shrinking of God's purpose, an economizing of God's own interest: God's goals for us is shrunk to the single

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[257] Charles Taylor, *A Secular Age*, 177.

[258] Ibid.

[259] Ibid.

[260] James K.A. Smith, *How Not To Be Secular*, 49.

end of our encompassing this order of mutual benefit he has designed for us. Therefore, even our theism becomes humanized, immanentized, and the telos of God's providential concern is circumscribed within immanence."[261] How did Adam Smith contribute to this shift? Regarded by many as the "father of modern economics," by others as the originator of free-market, others the preacher of self-interest, and still others as the advocate of the invisible hand of the market, Adam Smith's works (mainly his *Theory of Moral Sentiment*[262] and later *Wealth of Nations*[263]) have received both criticism and praise for various reasons. Some economic historians such as Joseph Schumpeter have criticized Smith for what he perceived as an oversimplified view of economic systems.[264] However, others like Samuel Fleischacker have lauded him for laying the foundational principles of modern economic theory and for promoting an understanding of economic processes that was revolutionary for his time.[265] They highlight the revolutionary nature of Smith's contributions to modern economic theory and commend him for providing a comprehensive framework that integrates moral philosophy with economic analysis, something that was quite innovative at his time and profoundly influential on later economic thought. From a theological perspective, some critics such as John D. Mueller, argue that Smith's emphasis on

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[261] Ibid.

[262] *Theory of Moral Sentiment* was first published in 1759 and it shows Smith's moral philosophy. Here, Smith is more concerned with exploring human nature and charting a moral map for human behavior.

[263] *Wealth of Nations* was first published in 1776. Here, Smith sought to show how moral reflections are to be appropriated in economic transactions, which laid the foundations for classical economics, and remains influential in economic theory and policy.

[264] Smith's model, encapsulated in his famous work *The Wealth of Nations*, is often associated with the idea of the "invisible hand" guiding free markets. Schumpeter believed that this model did not adequately capture the complexities and dynamics of real-world economies, particularly the role of innovation and entrepreneurship.

[265] Samuel Fleischacker is a prominent philosopher known for his work in moral and political philosophy, particularly in the areas of ethics, social theory, and the history of philosophy. He is especially recognized for his interpretations and analyses of Adam Smith's work, making significant contributions to our understanding of Smith's moral philosophy and economic theories.

self-interest as a driving force in economic transactions promotes greed and materialism.[266] Conversely, others like Eric Gregory and Paul Oslington find value in Smith's integration of moral sentiments with economic behavior. They argue that Smith's portrayal of self-interest is often misunderstood and that his work, particularly *The Theory of Moral Sentiments*, provides a sophisticated analysis of how self-interest is tempered by sympathy and the desire for moral approval. These scholars suggest that Smith recognized the inherent social nature of human beings and saw economic activity as embedded within a broader moral and communal context. In addition, they try to draw theological insights from Smith's contribution.

There has been massive research on Smith's works, and it will therefore prove unnecessary for this research to delve into the exhaustive details of Adam Smith's economic theories, as these are well-documented and widely understood within the academic community. Instead, the first section of this chapter, continuing the exploration of the history of economic thought, will delve into Smith's conception of human nature and explore his moral philosophy, showing how human passions can be filtered through the lens of sympathy, the impartial spectator and an "all-seeing eye to achieve virtuous behavior." It will also assess Smith's perspective in light of St. Augustine's views on human nature and try to draw connections to demonstrate its significance in understanding economic behavior and the ethical underpinnings of markets. According to Eric Gregory, secular advocates of virtue ethics turn to Aristotle and Hume to criticize the ethical theories of the Enlightenment thinkers, and when Christian thinkers do attempt to do a critique, they turn to Aquinas and/or Calvin.[267] However, a thinker that is often neglected in this discussion is Augustine. While Aquinas directly addressed economic issues and

[266] John Mueller in *Redeeming Economics*, argued that, by Smith, eliminating Augustine's theory of utility and Aristotle's final distribution, all that was left was an economic man driven by greed and selfish interest.

[267] Gregory, "Sympathy and Domination: Adam Smith, Happiness, and the Virtues of Augustinianism," 34.

developed the scholastic economic theories, most scholars often forget how much Aquinas relied on Augustine's thought in his *Summa Theologica*. This could be because Augustine is often misunderstood as more focused on inwardness and criticism of politics, economics, and most importantly, earthly virtues. Tomas Sedlacek says of Augustine:

> Augustine ties, to a large degree, into Platonism, and in the existing world he instead sees only a hallucination, a shadowplay which only tells of the truly existing world—for him, the visible does not represent reality (which in many ways is similar to the occasional extremes of a rational notion of the world, where abstractions are placed above the concrete). This is not directly about the dualism of body and spirit, but despite this Augustine understood the body as the "weight of the soul." This notion itself meant that economics did not assign a great deal of importance to it. From an economic standpoint, it will be interesting for us to follow a later great personality, Thomas Aquinas, who reversed attention from the Augustine inwardness toward examining the external world.[268]

Smith on the other hand, who is commonly hailed as the "father-economist of the scientific era," has also suffered the same fate as Augustine, often misinterpreted as the author of a "free-market economic fundamentalism which released a form of selfish individualism, promoting the bettering of the human condition through the cunning of self-love as the origin of the social virtues."[269] Augustine and Smith can therefore be viewed as representing two fundamentally different views on human nature that cannot be reconciled.

This chapter therefore aims to ascertain whether Smith's contributions indeed played a pivotal role in secularizing and rationalizing economics or if subsequent economic thinkers bear greater responsibility for such shifts, by drawing a connection between Smith and Augustine's perspective on human nature and its ethical implications for economics. The second section will illustrate how economists from the nineteenth century onward pursued a socially and morally neutral approach to their discipline, striving for a normative yet non-teleological economics. It

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[268] Sedlacek, *Economics of Good and* Evil, 155.

[269] Gregory, "Sympathy and Domination," 34.

will also elucidate how the adoption of scientific methodologies in economics marginalized ethical considerations, leading to the development of a value-free scientific paradigm. Furthermore, this section will explore the paradoxical relationship between economics, now considered a secular domain, and theological shifts, as posited by John Milbank, suggesting that economics' evolution is intricately linked to changes within theology rather than a complete departure from it. The concluding section of this chapter will analyze recent developments advocating for a return to a more value-centric approach in economics, as articulated by scholars like Deirdre McCloskey and Amartya Sen.

Section I: Reassessing Adam Smith's Concept of Human Nature: Loving Thy Neighbor

Adam Smith grounded his theories in a complex view of human nature that emphasized both rational self-interest and moral sentiments. Smith saw human nature as a blend of passions, moral sentiments, and the intellectual faculties of reason and speech, which distinguish humans from other animals. His perspective was not just economic, but also deeply moral and psychological, focusing on how individuals interact within society and form moral judgments based on their experiences and social interactions. Several criticisms have been raised about some of Smith's assumptions, but some of these criticisms are based on a misread of Smith's work. This study will only focus on the criticisms relevant to the scope of this research. The first critique refers to a perceived contradiction in style and moral judgment between the views expressed in Smith's two major works: *The Theory of Moral Sentiments* and *An Inquiry into the Nature and Causes of the Wealth of Nations*.[270] Schumpeter refers to this as the "Adam Smith Problem." The argument says that there is an apparent dissimilarity in both works, therefore

[270] Hereafter referred to as TMS and WN.

leading to an issue of authorial integrity. While Smith emphasizes the importance of sympathy and the role of moral sentiments in guiding human behavior in TMS, he presents a more pragmatic view of human behavior, focusing on self-interest as the primary motivator in economic exchanges in WN. Vivienne Brown is one such critic who interprets Smith's work as having both a normative and positive dichotomy that mirrors contemporary approaches to economic thought.[271] According to her, TMS is focused on moral discourse and is dialogic in style in contrast to WN that seems more monologic in style and focuses on amoral discourse. She notes:

> The monologic style of WN is thus entirely in accord with the scientific standing attributed to systems of public police in TMS, without reference to either sympathy or an imaginary change of places. This means that the WN has no place for the moral discourse of TMS; in this sense WN is an amoral discourse. For this reason, the multivocity and the spectatorial sympathy of TMS become redundant, to be replaced by the more overly didactic and detached style that characterizes the monologism of WN….But the crucial point is that the virtue of economic self-interest is treated differently in TMS from the higher moral virtues of beneficence and self-command, the true objects of moral discourse as defined by the structure of the argument in TMS, and it is this differential treatment in the TMS itself that signals a different moral status for the WN, a difference epitomized by the absence of the impartial spectator from the pages of the WN.[272]

The assertion is that by the time of the writing of *Wealth of Nations*, Smith had changed his opinion on several of his stances on morality and political economy, evolving from a focus on moral sentiments to a more nuanced exploration of market forces and self-interest as drivers of economic activity.

In responding to these allegations against Smith, Macfie suggests that Smith's intellectual progression should be viewed as a coherent whole rather than a departure from his earlier

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[271] Brown, "Signifying Voices: Reading the 'Adam Smith Problem,'" 187–220.

[272] Ibid., 210-11.

philosophical inquiries.[273] According to him, by situating Smith within the Scottish tradition of economic thought, an approach that advocates for a thorough, empirical, and historically informed examination of economic life in contrast with the more abstract, mathematical methods in economic analysis, it becomes clearer how Smith's work on market mechanisms in WN naturally extends from his earlier focus on moral philosophy in TMS. Macfie concludes that Smith's later work does not abandon his moral inquiries but rather builds upon them to offer a comprehensive picture of human behavior and social institutions. This perspective not only bridges the apparent gap between his two major works but also reinforces the idea that Smith saw economic behavior as deeply embedded within the fabric of moral and social relations. Samuel Fleischacker affirms the influence of the Scottish tradition on Smith by noting that in Smith's work on "History of Astronomy" and at the beginning of WN, Smith characterizes speculative philosophical thought as a matter of observing everything and then combining the powers of the most distant and dissimilar objects.[274] He further noted that since for Smith, moral judgment is rooted in sympathy (which will be discussed in detail later), and since Smith understands sympathy as an act of the imagination rather than the senses alone, he employs imaginative writing, including stories, to enrich and extend the moral imaginations of the reader. He extends this to WN to enable the reader to connect both works to see that his moral reflections in TMS are assumed in WN.

The criticisms and interpretations surrounding Adam Smith's work reflect the complexity and depth of his philosophical and economic theories. The removal of teleological assumptions—that is, explanations based on end goals or purposes—from economics represents

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[273] A. L. Macfie, *The Individual in Society: Papers on Adam Smith* (Oxford: Taylor & Francis Group, 2003), 19-41.

[274] Fleischacker, *On Adam Smith's Wealth of Nations: A Philosophical Companion*, 13.

a significant shift that Smith is often accused of within the Christian theological circle. Theologians like John Milbank in his *Theology and Social Theory* criticize Smith for de-ethicizing human actions in describing his moral philosophy. According to Milbank, virtue or being virtuous for Smith was not the natural virtues directed towards public benevolence and justice as expounded by Aquinas and the thirteenth century scholastics. Instead, for Smith, virtue and justice in general was the accidental sum of justice in particular.[275] This means that for Smith, self-interest had to do with self-preservation rather than being virtuous. Milbank notes that "the Scots (Smith included) see self-possession, along with various 'passions' and 'sympathies,' as an instinctual matter rather than the subject of rational calculus."[276] The result of this according to him is a celebration of the "lust for power" and political economy obliterating the Chistian sphere of public charity as espoused by Aquinas. However, Jennifer Herdt disagrees with Milbank's assertions. According to her, a closer look at Adam Smith's development of the theory of sympathy will show that for Smith, instinct did not displace virtue. Instead, it was a deliberate effort to absorb into ethical reflections and practices the deep economic and social changes of that period.[277] Furthermore, Milbank's analysis of Smith's emphasis on virtues such as self-control and rational self-interest criticizes those virtues as aligning with Stoic ideas about the natural order and individual's role within it. Herdt points this out: "Milbank's analysis suggests that all of the so-called British moralists, who sought to make ethics an empirical science, should likewise be seen as working in the service of political economy through their development of Stoic ideas about the natural impulses of benevolence and sympathy."[278] It is

[275] Milbank, *Theology and Social Theory*, 30-31.

[276] Ibid., 32.

[277] Herdt, "The Endless Construction of Charity," 301–24.

[278] Ibid., 303.

important to state here that first, Milbank considers both the Scottish and British thinkers as the same, which is a faulty assumption. Macfie notes that the Scot and the British thinkers differed in their approach to understanding and explaining economic phenomenon and behavior. According to him, while the British were more concerned with the logical processes or sequences of how things worked, the Scots sought to build a more balanced picture of social life as they found it and the forces which controlled it.[279] To this end, the central assumptions of the British thinkers was based on Benthamite Utilitarianism – a mechanistic psychology which eliminated any truly moral theory from economic thought – as opposed to the optimistic forward-looking assumptions of the Scots.[280]

This study will briefly digress here to discuss the 'Utility Principle' of Jeremy Bentham. Smith is often mistakenly associated with utilitarian ethics, a misconception even shared by Milbank, despite Smith holding distinct philosophical views. Understanding Bentham's principle, which prioritizes actions that maximize happiness for the greatest number, will clarify the differences between his utilitarianism and Smith's moral philosophy. This comparison illuminates the nuances of each thinker's contributions, and it also aids in accurately interpreting their impacts on ethical theory. The core principle of Bentham's utilitarianism is the "greatest happiness principle," which holds that the best action is the one that maximizes happiness and minimizes suffering. In his work, *An Introduction to the Principles of Morals and Legislation,* Jeremy Bentham states:

> Nature has placed mankind under the governance of two sovereign masters, pain, and pleasure. It is for them alone to point out what we ought to do, as well as to determine what we shall do. On the one hand the standard of right and wrong, on the other the chain of causes and effects, are fastened to their throne. They govern us in all we do, in all we

[279] Macfie, *The Scottish Tradition in Economic Thought*, 29.

[280] Ibid., 35.

> say, in all we think every effort we can make to throw off our subjection, will serve but to demonstrate and confirm it.[281]

For Bentham, we are ruled by pain and pleasure and that moves us in different directions. The principle of utility for Bentham therefore means "that principle which approves or disapproves of every action whatsoever, according to the tendency which it appears to have to augment or diminish the happiness of the party whose interest is in question…all other principles therefore, outside of utility must be wrong."[282] Based on this principle, Bentham developed the "utility calculus," which is still used by nearly every economic textbook today. To tie a moral bow around his principle, he argued that if all people strove to be happy and to seek pleasure rather than pain, then it can be accepted as an ethical rule that it is morally good to do so. In this way, according to Goudzwaard and Bartholomew, Bentham elevated the criterion of "the greatest happiness for the greatest number" to a status that was beyond critique or scrutiny.[283] This kind of ethics, according to them, helped the new industrialists of that time because what counted was not whether one's motives involved greed or not, instead, all that mattered was whether there were more benefits than losses for the general public.[284] Smith's moral philosophy was different from this because he emphasized the importance of moral sentiments and individual virtues. According to Smith, the well-being of a society was not solely the result of maximizing utility or material gain. Instead, he argued that the moral character and the intentions of individuals play a crucial role in economic transactions. For Smith, ethical business practices and personal virtues

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[281] Bentham, *An Introduction to the Principles of Morals and Legislation*, Ch. I.I

[282] Ibid., Ch.I.II-III.

[283] Bob Goudzwaard and Craig G. Bartholomew, *Beyond the Modern Age*, 30-31.

[284] Ibid., 31.

such as prudence, justice, and benevolence were foundational to economic success and societal harmony.

Returning to Milbank's critique of Smith's moral philosophy as aligning strictly with Stoic thinking, it is important to recognize that Smith's engagement with Stoicism is complex and nuanced. This complexity arises from the influences of his Christian mentor, Francis Hutcheson, and his skeptic friend, David Hume, on his economic ideas. Hutcheson's moral sense theory advocated that humans possess an innate sense of beauty and naturally feel a sense of right and wrong.[285] He goes further to attribute this feeling to God (deity) who has implanted in man this moral sense, neither as an innate idea nor something to derive pleasure or praise from.[286] Hume's skepticism on the other hand casts doubt on the existence of objective moral truths. Smith therefore navigates between these two perspectives by suggesting that moral judgments stem from sympathy and the impartial spectator, a concept that allows for moral assessment by imagining oneself in another's position, detached yet empathetic. The label of deism is also sometimes attributed to Smith, and this ties into his references to a benevolent design in nature as seen in his idea of an "invisible hand" that guides individual self-interests to promote societal benefits. While this metaphor may be seen as aligning with deistic views of a creator who sets natural laws in motion but does not intervene directly in the world, Smith's invocation of such natural order does not necessarily denote religious commitment but rather illustrates his broader philosophical perspective on how moral and economic systems can self-regulate through inherent mechanisms. The focus of this section is not whether Smith believed in God. Instead, it

[285] Francis Hutcheson, *An Inquiry into the Original of Our Ideas of Beauty and Virtue in Tow Treatises*, ed. Wolfgang Leidhold (Indianapolis: Liberty Fund, 2004).

[286] Ibid., Book 1.I.IV.

is whether he recognized the theoretical existence of a providential God and thus used this as the premise for his arguments. However, in examining Smith's TMS, it is critical to acknowledge the numerous references to God throughout his text. These references indicate that a theological dimension was integral to Smith's moral and ethical framework. Smith portrayed God as providential, an entity actively invested in the welfare and moral progression of humanity. Hence, it can be inferred that Smith did not merely view God as a distant or deistic figure but as a central actor within the moral universe whose presence and influence are discernible in the governance of human affairs. An example of this can be seen in TMS Part III. Smith states:

> The happiness of mankind, as well as of all other rational creatures, seems to have been the original purpose intended by the Author of nature, when he brought them into existence. No other end seems worthy of that supreme wisdom and divine benignity…But by acting according to the dictates of our moral faculties, we necessarily pursue the most effectual means for promoting the happiness of mankind, and….co-operate with the Deity, and to advance as far as in our power the plan of Providence. By acting other ways, on the contrary, we seem to obstruct, in some measure, the scheme which the Author of nature has established for the happiness and perfection of the world, and to declare ourselves, if I may say so, in some measure the enemies of God. Hence, we are naturally encouraged to hope for his extraordinary favor and reward in the one case, and to dread his vengeance and punishment in the other.[287]

Furthermore, Smith's discourse often carried a teleological tone, hinting at a universe endowed with purpose and direction. His references to God's laws and commands suggest that these divine statutes play a crucial role in shaping human morality. Smith posits that these divine precepts guide human conduct and are instrumental in the realization of a just society. This implied a cosmos where moral laws are not arbitrary but are anchored in the divine will, aimed at the fulfillment of a coherent plan of justice. Smith appears to contend that God has imbued humanity with an inherent understanding of justice and morality from creation, setting forth a divine pedagogy that unfolds historically. He notes:

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[287] Smith, *Theory of Moral Sentiments*, 166.

> Since these, therefore, were plainly intended to be the governing principles of human nature, the rules which they prescribe are to be regarded as the commands and laws of the Deity, promulgated by those vicegerents which he has thus set up within us…. Like them they are rules to direct the free actions of men…. Those vicegerents of God within us, never fail to punish the violation of them, by the torments of inward shame, and self-condemnation; and on the contrary, always reward obedience with tranquility of mind, with contentment, and self-satisfaction…. We are equally grieved and enraged at the wrong that is done, but often find it altogether out of our power to redress it. When we thus despair of finding any force upon earth which can check the triumph of injustice, we naturally appeal to heaven, and hope, that the great Author of our nature will himself execute hereafter, what all the principles which he has given us for the direction of our conduct, prompt us to attempt even here; that he will complete the plan which he himself has thus taught us to begin; and will, in a life to come, render to every one according to the works which he has performed in this world.[288]

The presence of some of Smith's submissions highlighted within his work suggests a complex interplay between his economic and moral theories and a profound theological underpinning. It therefore becomes challenging to align with Milbank's critique that Smith was instrumental in de-ethicizing economics. Moreover, Deirdre McCloskey's interpretation of Smith offers an additional dimension. She suggests that Smith's views on human nature and morality, especially when viewed through a theological lens, bear significant resemblances to Augustinian thought.[289] Augustine's teachings about the fallen nature of humanity and the necessity of divine grace for moral improvement can be inferred in Smith's discussions of how human sympathy and the impartial spectator guide individuals towards moral betterment. For Augustine, the divine order shapes human affairs; similarly, Smith's framework suggests a moral cosmos where divine and moral laws guide economic and social behavior, challenging the notion of a purely self-interested economic man.

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[288] Ibid., 165-69.

[289] Deidre McCloskey, "Avarice, Prudence, and the Bourgeois Virtues," in *Having: Property and Possession in Religious and Social Life*, eds. William Schweiker and Charles Mathewes (Grand Rapids, MI: Eerdmans, 2004), 312-36.

This study will now turn to the moral philosophy of Smith which integrates personal passions with the objective of self-preservation and will explore this through the theological lens of Augustine's diagnosis of the human condition. However, to effectively position Smith within an Augustinian moral tradition and explore his contributions to economic thought from this perspective, it is crucial to first delve into Augustine's views on human nature, focusing on sin, human desires, and the will and how this extends beyond the individual to encompass society's collective existence. It will then explore Smith's discussion on 'sympathy,' the 'impartial spectator,' and the 'all-seeing judge,' and how these filter the human passions to impact behavior and the workability of an economy.

Section II: Augustine

Augustine of Hippo, a seminal figure in Christian theology, articulated a comprehensive doctrine on human nature that profoundly influenced Western thought. His life and teachings provide a good understanding of how the Christian view of humanity and morality could be integrated into philosophical and theological discourse, shaping not only religious practices but also societal norms. In his doctrine of grace and original sin, he taught that salvation came by God's grace, through Christ, to those whom God chooses. According to Augustine, the Fall meant a separation of the human soul from the divine which resulted in what he termed "original sin," and the only means of ascending upward back to the divine is by overcoming sin through Christ who is the mediator and who is at once human and divine. The incarnation of Christ, the mediator, is thus what makes the redemption of humanity possible through grace. As image-bearers, free will is a fundamental aspect of the human condition, gifted by God to enable humans to make moral choices. Therefore, Augustine's key to moral action is found in an agent's possession and exercise of free will. The exercise of this free will is not merely about

choosing between different external options, but it involves a deeper spiritual choice between good and evil, which in turn shapes one's moral character. Augustine argued that humans are capable of transcending their immediate sensory experiences and desires through the exercise of reason and will, allowing them to contemplate eternal truths and to align their actions with a higher moral and divine order. The ability to resist external influences and temptations, however, is not just a testament to human strength or autonomy. Rather, it is an expression of the divine aspect within human beings reflecting God's image. Augustine believed that God created man "in such a way that if he submitted to his creator as his true Lord, and kept God's commandments in devout obedience, he would enjoy a blessed and unending immortality...but if he offended the Lord his God by using his free will proudly and disobediently, he would be given over to death and would live like the beasts, a slave to lust and destined for eternal punishment after death."[290] Due to the Fall, man's free will is now enslaved to lust and pride which only leads to sin, but grace after conversion frees the enslaved will to choose only those things that are pleasing to God.[291] Before advancing further in our exploration of Augustine's theological and philosophical contributions, it is essential to contextualize his intellectual development by examining his early life, academic pursuits, and spiritual transformation. Augustine's evolution from a young scholar deeply engaged with Manichaean, Skeptical, and Neoplatonic thought to his eventual emergence as a seminal figure in Christian theology provides crucial insights into the origins and motivations of his works. This examination not only illuminates the profound influence of his background on his writings but also highlights his pivotal role in shaping the trajectory of Western philosophical and theological thought and, more

[290] Augustine, *City of God*, Book XII: 22.

[291] Bettenson, Henry, and Maunder, eds., *Documents of the Christian Church*, 58

importantly, economic thought -- an area where Augustine has been visibly neglected. Despite the scant direct reference to economic principles in his works, Augustine's ideas on the nature of society, justice, and the distribution of goods have had a subtle yet significant impact on the development of economic theory, particularly in the context of moral and ethical considerations in economic behavior. This aspect of his thought merits a more detailed investigation to appreciate fully the breadth of his influence not only on theology and philosophy but also on the economic ideologies that emerged in the West.

Section II:1 Augustine's Background: Life, Intellectual Development and Work

Aurelius Augustinus, later known as Saint Augustine, was born in A.D. 354 in Thagaste (now Souk Ahras, Algeria), a minor commercial hub in Roman North Africa, during the waning days of the Western Roman Empire. His birth into a bi-cultural and bi-religious family, with his father Patricius being a pagan belonging to the local elite and his mother Monica being an exemplary Christian whose profound influence would later play a pivotal role in her son's conversion, marked the beginning of a life steeped in diverse religious and cultural influences. Both parents were of Berber origin but had been thoroughly Romanized, indicating that Latin was the primary language of Augustine's upbringing and reflecting a synthesis of cultural identities. Augustine's early education was rooted in the Christian tradition, albeit nominally, which laid the groundwork for his extensive formal education in rhetoric. This educational path led him to teach rhetoric in notable academic centers in Carthage, Rome, and Milan, places where he engaged with the intellectual elite of his time.

During his formative years as a student, Augustine exhibited a keen interest in philosophy, despite lacking formal philosophical training. His philosophical journey began earnestly with his encounter with Cicero's *Hortensius*, which ignited in him not only a fervent

passion for wisdom but also instilled a profound skepticism towards the sectarianism prevalent in the philosophical schools of late antiquity. This skepticism led Augustine to adopt a syncretistic approach to philosophy, eschewing allegiance to any single philosophical tradition in favor of a more eclectic pursuit of truth. His early philosophical influences, Cicero and then Seneca, introduced him to key Stoic doctrines that would later permeate his own theological and philosophical discourse. These Stoic ideas included the unity of virtues, the supremacy of reason over emotions, the conflation of virtue with happiness, and the resilience of moral character as a bulwark against the unpredictability of fortune. In his seminal work, *On the Free Choice of the Will*, Augustine explores the Stoic principle of the rule of reason, illustrating how the human mind has the capacity to accept or reject sensory impressions. This capacity underscores a key Stoic and Augustinian theme: the autonomy of the inner life and the moral responsibility of the individual in making ethical choices. Augustine extends this Stoic notion, integrating it with Christian doctrine by emphasizing that such rational control is a manifestation of the divine image within humanity and is crucial for achieving moral virtue.[292]

Not satisfied with the answers traditional philosophy gave for the problem of evil, Augustine became attracted to the radical dualism and rational piety of Manichaeism, a philosophy that claimed to provide an easy solution to the problem of evil and good. He became an auditor ('hearer') in the religion in contrast to the perfect observants called "the elect." For the Manicheans, good is passive, impinged upon by the violent activity of the bad.[293] This dualism and the Manicheans' teachings about Jesus Christ were attractive to Augustine because they not only offered a soothing explanation for his own personal moral struggles, but they

[292] Augustine, *On the Free Choice of the Will*, Book 3.25.74.255-25.76.264

[293] Brown, *Augustine of Hippo: A Biography*, 37

appeared to offer a refined version of Christianity.[294] This allowed him to maintain a semblance of continuity with his nominally Christian upbringing. However, while the Manichean faith thrilled Augustine's reasoning, it did not offer a remedy for his restlessness; the complexities of doubt, ignorance, and deep tensions that existed within the will was deliberately ignored in Manichaeism.[295] He looked forward to the coming of Faustus of Mileve, a celebrated Manichean bishop who the Manicheans declared that "nature withheld no secret from."[296] However, he was disappointed as Faustus could not give him an answer to his question, and his mind immediately rejected the doctrine. Augustine later in his *Confessions* criticized the Manichean's doctrine. Fascinated with astrology, which he later found particularly irritating because the knowledge or lack thereof did not transcend to a happier life, he turned to Neoplatonism. From Neoplatonism, he learned the crucial distinction between the material and immaterial realms, thus significantly shaping his understanding of reality and the nature of divine existence. However, despite valuing philosophy as a path to wisdom, Augustine remained unsatisfied. While he embraced the sophisticated metaphysics central to Neoplatonism, he identified significant deficiencies in its ethical dimensions, leaving him in search of a more complete and fulfilling truth. The most important ethical teaching of Neoplatonism was the return to the One, through a series of intermediate stages. Augustine, however, felt that to return to the one required instead a sort of intermediary or a mediator that bridges the gap between the One and humans.

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[294] Augustine dealt with sexual lust. He acquired a mistress at the age of seventeen and by the age of eighteen, she bore him a son, which he named Adeodatus, meaning 'given or gift of God.' While he was not allowed to marry this mistress and was instead given a wife, his deep love for her must have been the driver of his burning sexual desires. A desire that Augustine will later consider as disordered desire.

[295] Brown, *Augustine of Hippo*, 49.

[296] Augustine, *Confessions*, Book V.3.

A significant turning point occurred in A.D. 384 when Augustine encountered Bishop Ambrose. Through Ambrose's preaching, Augustine gained profound intellectual insights into the Scriptures that surpassed anything he had learned during his upbringing, sparking a renewed interest. This led to an initial intellectual conversion, though not yet a moral one. However, in A.D. 386, Augustine experienced a transformative conversion. His philosophical struggles had laid the groundwork for this spiritual and intellectual metamorphosis. He now knew that "mediator" was Jesus Christ, the only one both human and divine through whom humans could successfully return to God. Christianity, therefore, became the true philosophy for Augustine.

Based on this newfound understanding, he began writing his seminal works, including *Confessions*, *The City of God*, and *On the Free Choice of the Will.* In *Confessions*, Augustine intricately weaves narrative and philosophical meditation, offering a candid reflection of his life's journey from sin and searching to conversion and understanding of the Christian faith. In *The City of God*, he blends philosophical themes into a narrative that contrasts the church's journey to a "heavenly city" – a future realm of peace with God marked by love and humility – with the "earthly city," characterized by political systems driven by self-love and pride. In *On the Free Choice of the Will*, Augustine discusses human nature in relation to the will and inquiries into the origin of evil. Everett Ferguson credits 113 books and treatises, 250 letters – some equal in length to treatises – and more than 500 sermons to Augustine.[297]

In his analysis of the historical development of economic thought, Schumpeter identified a prolonged hiatus following Aristotle, a period he characterizes as "the Great Gap."[298] He argued, and other economic historians agree, that, during this interval, eminent early Church

[297] Ferguson, *Church History. Vol 1, From Christ to the Pre-Reformation*, 271

[298] Schumpeter, *History of Economic Analysis*, 71-74.

Fathers, including Augustine, predominantly concentrated on theological issues despite their concerns about economic matters in their environment. Hence, they would sometimes preach against the irresponsible use of wealth and encouraged charity, but they never went beyond that. This focus resulted in a noticeable absence of significant contributions to economic theory. However, it was not until Aquinas emerged that a resurgence in rigorous economic discourse may be observed. Aquinas' innovative approach involving the synthesis of Aristotelian economic principles with Christian theological insights provided the foundation for future economic analysis.

Secular proponents of reintroducing virtue ethics into economics often advocate for revisiting Aristotle and, to a lesser extent, Hume. Meanwhile, those favoring a Christian framework typically turn to Aquinas, albeit frequently overlooking the Augustinian influences in Aquinas' *Summa Theologica*. In chapter 2, we endeavored to elucidate some of the concepts Aquinas adapted from Augustine. This section will concentrate on Augustine's anthropology and social ethics, particularly their implications for economic thought. To achieve this, we will delve into Augustine's views on the human condition, grace, and self-interest primarily through his seminal works *Confessions* and *The City of God*. Additionally, *On the Free Choice of the Will*, *On Christian Doctrine*, and the *Enchiridion* will also be consulted to clarify and provide deeper insight into his philosophical and theological positions. This comprehensive examination aims to highlight Augustine's enduring relevance to contemporary economic discourse.

Section II:2: Augustine on the Human Nature, Grace, Freedom, Desire, and Self-interest

Augustine's anthropology centers on the concept of original sin and the fallen state of humanity. According to him, human nature was originally created good and in the image of God, but it was corrupted by the original sin committed by Adam and Eve. This event fundamentally

altered human nature, embedding in it a propensity towards sin and a disorder of desires. The human will is now misaligned, where instead of seeking God, individuals often pursue lower goods, leading to moral and spiritual disarray. He claimed that God created Adam innocent but with the freedom to choose for or against God, but by willingly choosing to go against the law of God, Adam plunged all of humanity into a state of spiritual death. This has resulted in humanity being held captive by the Devil, moral deprivation, loss of God's knowledge, and a severed relationship with God, which has left us naturally with only one choice and ability: the ability to sin.

Augustine adopts a holistic anthropology, emphasizing the unity of the body, mind, and soul within the human person. According to him, the consequence of Adam's disobedience was both physical nakedness and the separation of the soul from the body and from God. What this meant was that the soul now rejoices in its own freedom for perversity and disdain to serve God, and the body is stripped of its former service because it has by its own will deserted God.[299] The mind, which is the seat of reason, is therefore rendered dormant, being dominated by lust, despoiled of the richness of virtue, and accepting falsehoods for truth and defending these falsehoods.[300] Augustine notes that man was created righteous with the freedom to choose. Even though God alone is wholly free, angels and humans also possess free will. Firstly, this free will is a necessary condition for ascribing man moral responsibility to man. Secondly, it is self-determining: "the power of the will as the will itself."[301] Lastly, the responsibility for not exercising a good will lies with man because he has the power to act right. According to Augustine, the mind can recognize and command what ought to be done. Entrenched sinful

[299] Augustine, *City of God*, XIII.12-13.

[300] Augustine, *On Free Choice of the Will*, Book I.9.19.68 – I.11.22.78.

[301] Ibid., I.12.26.86.

habits, however, impede the will's ability to comply. These habits distort the will's alignment with the truth, thereby affecting man's capacity to act virtuously. Augustine elaborates on this struggle in Book 8 of *Confessions*, describing how the mind may give a command that the body is unable to execute due to the corrupting influence of such habits.[302] This discord between the higher aspirations of the mind and the lower desires of the body illustrates a fundamental conflict within human nature. This has implications for economic theory, especially when considering economic behaviors and decision-making processes. In economic terms, this could be analogous to the concept of bounded rationality, where decision-makers intend to make rational choices but are constrained by the limitations of their own cognitive and emotional capacities. Augustine's perspective suggests that these limitations are not merely cognitive errors or information asymmetries but are deeply rooted in moral and spiritual disorders. We will discuss this further in chapter 4 of this study.

The fall of the first humans due to their disobedience altered the condition of human nature. This original sin, as Augustine articulates, is not merely an isolated transgression but has profound ontological repercussions, resulting in a hereditary transmission of sinfulness that pervades the entire human race. Augustine writes, "We were all in that one man, seeing that we all were that one man who fell into sin…we did not yet possess forms individually created and assigned to us to live in them as individuals; but there already existed the seminal nature from which we were to be begotten….when this was vitiated through sin……man could not be born of man in any other condition."[303] The implication of this, Augustine continues, based on his interpretation of Psalm 49:12-20, is man's existential demotion, thereby being aligned with

[302] Augustine, *Confessions*, VIII.5-9.

[303] Augustine, *City of God*, XIII.14.

beasts and reflecting a profound degradation of his divine likeness. Augustine argues that while this sin had debased man to a bestial level in terms of mortality and corporeal desires, it does not entirely strip him of his inherent human faculties, particularly the capacity for self-awareness and rational thought. This nuanced perspective emphasizes that although human nature is severely vitiated by sin, it retains a distinctiveness from the beasts. Augustine's insights on original sin suggest a model of humanity that is both diminished yet dignified, a paradox that offers a rich explanation about the complexities of human nature and decision-making.

Augustine's conception of human nature as intrinsically flawed and perpetually inclined towards sin challenges any notion of inherent human goodness or self-sufficiency in achieving salvation, thus necessitating divine intervention in the form of grace. This grace, according to him, is the only way humanity can find hope. God is not under any obligation to bestow us with any benefits, but with grace, humanity can now aspire for supernatural benefits. Grace is therefore supererogatory on God's part and a genuine benefit to humanity since we are undeserving of it. With this grace, through faith, man can hope for an ultimate blessedness, even though he still must suffer the punishment of death.[304] This grace, though freely given, is still contingent on the will, but while the will is unable to help itself, the victory by which sin is overcome is God's gift that helps the will in its struggle to overcome evil lust, thereby able to will good. Augustine states, "Human beings are therefore assisted by grace, so that their wills are not bidden to no purpose."[305] Augustine continues by showing what purpose to which the human will ought to be bound: "When God says: "Turn to me and I shall turn to you"…one of this actions seems to pertain to our will, namely that we turn to Him, whereas the other pertains to

[304] Ibid., Ch. 3

[305] Augustine, *On Grace and Free Choice*, 4.9.

His grace, namely that He also turns to us."[306] This means that, according to Augustine, God's grace is not only salvific but also participatory. To attain this ultimate blessedness also requires persevering grace. Augustine states, "This is not in human power but rather in God's power for human beings to have "the power to become the children of God…." They receive it from Him who gives to the human heart the religious thoughts through which one has "faith which works through love…." To get and to hold onto this, and to advance in it with perseverance up to the end, "we are not sufficient of our won selves to think anything; our sufficiency is rather from God," in whose power are our hearts and our thoughts."[307]

From Augustine's articulation of grace, four fundamental forms bestowed on humans can be identified, each distinct yet interconnected in the divine economy of salvation. These categories encapsulate the dynamic and multifaceted nature of grace as it operates within the Christian life, influencing not only the spiritual state of individuals but also their moral and ethical behaviors. The four forms identified are salvation, good works, perseverance, and faith.[308] All of these have implications for contemporary Christian ethics and moral theology, and Augustine's treatment of grace provides a robust framework for understanding the complexity of human freedom, divine sovereignty, and moral responsibility.

As discussed previously, from the outset of creation, the endowment of free will upon humanity was fundamental, serving as a prerequisite for a meaningful relationship between man and God. This power of choice, an inherent aspect of human nature, underscores the capacity for voluntary relationships and moral responsibility. It is through free will that humans engage in a dialogical relationship with God, capable of responding to divine overtures with either obedience

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[306] Ibid. 5.10

[307] Augustine, *On the Gift of Perseverance*, 8.20

[308] Peter King, ed., *Augustine: On the Free Choice of the Will*, xxv.

or rebellion. Augustine writes: "there is, to begin with, the fact that God's precepts themselves would be of no use to a man unless he had free choice of will, so that by performing them he might obtain the promised rewards."[309] Augustine's view of freedom is intricately linked to human desires and affections and authentic love requires an element of choice; it must be freely chosen to be genuine. If exercised outside of grace, it can only lead to lust. He posits that the quality of a person's will determines whether they will choose good or evil. He notes:

> If it is perverse, these emotions will be perverse; but if it is right, they will be not only blameless but even praiseworthy. The will is involved in all of them; or rather, they are all nothing more than modes of willing. For what are desire and joy but the will consenting to things that we want? And what are fear and grief but the will dissenting from things that we do not want? When the consent takes the form of seeking the things that we want, it is called desire: and when it takes the form of enjoying the things that we want, it is called joy. Similarly, when we dissent from something that we do not want to have to happen, it is called fear: and when we dissent from something that actually does happen to us against our will, it is called grief.[310]

The natural man as articulated by Augustine here is a desiring being. He (natural man) is a being who desires happiness and is repelled by and afraid of anything that seems to contend with that happiness. This desire shapes human behavior. Hobbes and Locke, as we examined in chapter 2 of this study, also followed Augustine in identifying the role of desire and fear in shaping human behavior. For Hobbes, the desire for self-preservation leads to fear of loss of possessions. Locke views desire similarly to Hobbes, but he also believes that it leads to fear of potential conflicts over property and the lack of impartial justice. The remedy for fear according to both is a social contract (a collective agreement to surrender some of man's freedom to a common and absolute sovereign), the Leviathan (Hobbes), or the formation of a government that protects man's natural rights (Locke).

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[309] Augustine, *On Grace and Free Choice*, 2.2

[310] Augustine, *City of God*, XIV.6

Augustine offers a different solution. According to him, a person who lives according to God and not according to man automatically must be a lover of good and hater of evil. This person does not hate another because they commit an evil act but must hate the evil and the fault that birthed such evil because once the fault is cured, all that remains should be loved.[311] He further posits that, "When a person is resolved on loving God and on loving his neighbor as himself, not according to man but according to God, it is undoubtedly on account of this love that he is called a person of good will. This disposition is more commonly called charity (caritas) in Holy Scripture, but according to the same sacred writings it is also called love (amor)."[312] Human behavior rightly ordered, according to Augustine, is shaped by love for God and love for others. Here Augustine shows the implication of man being created in God's image: it is meant for a unique divine-human relationship which translates to a unique human-creation relationship.

Section II:3 The Social Order and the Role of Government in Augustine

The nature of Augustine's human being as discussed above can be summarized as relational, volitional, affective, and rational. His view of an ideal society, therefore, is one predicated on love for God and love for neighbor. However, due to the ramifications of the Fall, achieving such a perfectly ordered and harmonious society is unattainable in a purely natural society governed by humans. The mind, though in its fallen state, still retains a vivid conception of this ideal society. Therefore, when the will is properly oriented, the mind maintains its ability to discern and understand the true essence of things: God. Scripture, according to Augustine, "subordinates the mind to God, to be ruled and supported by him, and subordinates the passions to the mind, to be moderated and restrained by it so that it is converted to an instrument of

[311] Ibid., XIV.6

[312] Ibid., XIV.7

justice."[313] Such a mind for Augustine "is the citizen of the city of God, who lives according to God during the pilgrimage of this life, feel fear and desire, pain and gladness….and because their love is right, they have all these emotions in the right way.[314] Such a citizen, he continues, will, with the eyes of faith, rejoice with those who rejoice and weep with those who weep, and they will seek the peace of the earthly city.

Treating the tension between Cain and Abel as universal and timeless, Augustine posits that all human society is based on the desire to share some good. Of such goods, humans most deeply feel the need for peace.[315] He argued that man's desire for happiness is a result of his being created upright to live according to his creator.[316] Since this desire existed from the creation of man, no one can exempt themselves from the need for happiness and peace, but the fallen man in the earthly city, ascribes his achievement of harmony in society to the self rather than to God. This leads to the self being puffed up with pride – *libido dominandi* - and the victory leading to death.[317] Should heavenly citizens pilgriming in the earthly city not bother to seek its peace? Augustine contends that the earthly city has its good, and its joy comes from sharing in this good. This good is not the kind devoid of anxiety to those who love it, thus making the earthly city always divided against itself in wars and conflicts. He describes it in this way:

> It would be wrong, however, to say that the things which this city desires are not goods; for even this city, in its human fashion, is better when it has them. For it desires a sort of earthly peace for the sake of lower goods, and it is that peace which it wants to achieve by waging war. For if it triumphs and there is no one left to resist it, there will be peace, which the opposing parties did not have so long as they were fighting each other, in their

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[313] Augustine, *City of God*, IX.5.

[314] Ibid., XIV.9

[315] Brown, *Augustine of Hippo: A Biography*, 320.

[316] Ibid., 4

[317] Augustine, *City of God*, XIV.4.

> wretched need, over things that they could not both possess as the same time. It is for the peace that grueling wars are fought, and it is this peace that supposedly glorious victory obtains. And when the victory goes to those who were fighting for the more just cause, who can doubt that the victory deserves to be celebrated or the resulting peace is very much desired? These are goods, and they are undoubtedly gifts from God. But, if higher goods are neglected, which belong to the city on high, where victory will be secure in supreme and eternal peace, and if these lower goods are desired so much that people believe them to be the only goods or love them more than the goods that they believe to be higher, then misery will necessarily follow, and their previous misery will only be worse.[318]

Augustine shows two things about the earthly city here. First, property or wealth possession is not bad in itself. This is contrary to how Augustine is always portrayed among modern economic scholars who would argue that he was more centered on the inwardness and the otherworldly and disdained the acquisition of property and wealth. Hence the reason they turn to Aquinas instead. But as seen previously, Augustine has so far paid loving attention to the earthly city. He believed the material world is absolutely real and not just "a hallucination or shadow" as he is often accused of believing. He also contends that everything in the material world was created by God; it is good and provides us with a glimpse of the heavenly city.[319] However, the ultimate end of man is not limited to this world alone, and as a result, all that humans do in the earthly city should be with the heavenly city in mind. Therefore, earthly good should be looked on as a blessing and a hope for what is to come. That, for Augustine, should be the driver of human behavior towards wealth and earthly possession. Peter Brown summarizes it in this way: "For Augustine…. could see the outlines of a choice…. Men are inextricably 'merged' by the needs of their common, mortal life. But ultimately, the only thing that matters, is to transcend this insidious symbiosis."[320] Society, for Augustine, can be said to describe the relations in which we

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[318] Ibid., XV.4

[319] Sedlack, *Economics of Good and Evil*, 154-157.

[320] Brown, *Augustine of Hippo*, 322.

pursue the necessities of life and delight in associations of good will. However, because the human capacity for deep love is limited, it falls short of the intense intimacy of friendship.[321]

A second thing that Augustine shows through the above quote is the need and role of government in ensuring peace, protecting property, and enacting justice in the earthly city. For Augustine, as long as the heavenly city lives on pilgrimage here in the earthly city, both cities are intermingled.[322] Therefore, the desire for a harmonious ordering of the earthly society reflects a restless longing. Augustine notes that "even those who want war, want nothing other than victory...waging war is to achieve peace with glory."[323] Unlike the heavenly city, the harmony sought in the earthly city is ordered by pride, a perverse imitation of God, which imposes its own domination on its fellows in place of God's rule.[324] Notwithstanding, the peace of the earthly city is still properly ordered concord with respect to the command and respect of its citizens in order to bring about the accommodation of human wills pertaining to mortal life.[325] The heavenly city, while on pilgrimage in the earthly city, must utilize earthly peace, even as it orients this peace toward true, ultimate, heavenly peace.[326] This dynamic serves as the core of Augustine's pursuit of justice.

A people, as defined by Augustine, is a multitude of rational beings joined together by collective agreement on the objects of their love.[327] It is upon this collective agreement that

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[321] Brey fogle, "Toward a Contemporary Augustinian Understanding of Politics," 227. According to Augustine, "this happy life, these philosophers claim, is also social; it loves the good of friends for its own sake in the same way that it loves its own good, and, for their own sake, it wants for them precisely what it wants for itself (City of God, XIX:).

[322] Augustine, *City of God*, XIX, 26.

[323] Augustine, *City of God*, XIX:12.

[324] Ibid.

[325] Ibid., XIX:14, 17.

[326] Ibid., XIX:17.

[327] Ibid., 24.

justice is sought. However, any justice separated from God according to Augustine, is not true justice. He argues thus:

> For no matter how laudably the soul may appear to rule the body and reason the vices, if the soul and reason do not themselves serve God as God himself has taught that he is to be served, they do not rule the body and the vices rightly at all….in fact the very virtue which the mind imagines that it has, and by which it rules the body and the vices for the sake of gaining or keeping whatever is the object of its desire, are themselves vices, and not virtues at all, if the mind does not direct them towards God.[328]

He goes on to say, referring to the pagan Roman rulers, that:

> Some people suppose that the virtues are true and authentic when they are directed to themselves alone and are not sought for the sake of anything beyond themselves. But even then, they are puffed up and proud, and so they are not to be counted as virtues but rather as vices.[329]

The pursuit of earthly justice, for a citizen of the heavenly city on pilgrimage in the earthly city, must look different from what is obtainable in the earthly city. This is because Augustine believes that while earthly virtue might achieve some peace and stability in this life, it is nothing compared to the hope that awaits the believer in the heavenly city. Augustine writes:

> To give stability to that republic which the early Romans founded and enlarged by their virtues, when, though they had not the true piety towards the true God which could bring them, by a religion of saving power, to the commonwealth which is eternal, they did nevertheless observe a certain integrity of its own kind, which might suffice for founding, enlarging, and preserving an earthly commonwealth. For in the most opulent and illustrious Empire of Rome, God has shown how great is the influence of even civil virtues without true religion, in order that it might be understood that, when this is added to such virtues, men are made citizens of another commonwealth, of which the king is Truth, the law is Love, and the duration is Eternity.[330]

While love and loyalty to the city is what drives the virtues of the earthly citizen, for the heavenly citizen, the love for God translates to how we live as citizens here on earth and how society is governed. That love helps us perform whatever the welfare of the country demands out

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[328] Ibid., 25

[329] Ibid.

[330] Augustine, *Letter*, 138:3.17

of self-interest and on the country's behalf. Kevin Hughes puts it this way: "The household of faith is part of a different city, a different culture, in a sense. Its activities with reference to the temporal goods of life may overlap with neighbors, but only in the way that households in rural America and rural Korea might overlap in raising canines."[331]

From the examination of Augustine's anthropology and social ontology, his impact on thinkers discussed so far from the thirteenth-century scholastic until the eighteenth-century Enlightenment becomes very apparent. In their formulation of the nature of man and society, they certainly adopted certain part of Augustine's theology. Augustine provides a robust explanation for why people act the way they do and why society is ordered the way it is. Based on the economic thought and theories of thinkers examined so far, Augustine provided a comprehensive body of thought on economic justice that connects human choices to moral development.

Augustine's influence on Christian contributors to economic thought is distinctly evident (as this study showed in chapter 2). However, his ideas also resonate, albeit implicitly, within the works of the seventeenth- and eighteenth-century thinkers. Hence the reason Alasdair McIntyre posits that there has been a general blindness to the importance of the continuing influence of Augustinianism in the seventeenth and eighteenth centuries.[332] These thinkers, while not always directly citing Augustine, often engaged with themes and concepts that reflect Augustinian thought, particularly in their discussions of human nature, society, and governance. This subtle incorporation of Augustinian principles underscores his pervasive impact across various philosophical domains. For example, Hobbes, in evaluating the political realm, first takes the

[331] Hughes, "Local Politics: The Political Place of the Household in Augustine's City of God," 153.

[332] Quoted in Joost Hengstemel, "Smith and Enlightened Augustinianism," 154.

evaluation of human nature – not as it ought to be, but as it is – as the starting point. He considered the frailty and violent nature of man, a pessimistic anthropology, which was the central legacy of Augustine's teaching. He and Locke saw desire as the driver of human behavior. In summary, like Augustine, they saw human nature as volitional, affective, and rational. The point of departure with Augustine is that man was also created as relational being. According to them, fellow feeling is not a part of human nature. Instead, fellow feeling is humanity's rational capability to recognize the benefit of cooperation.[333] Man's quest to do good for the common good is tied to self-preservation alone and nothing more. The demands of God cannot be known, and all Christianity does is to destabilize any decent ordering of man's political life. Therefore, it is best for humans to free themselves from the fear of a wrathful God who ought to be appeased because of his anger, which leaves man in a state of perpetual oppression and violence, as seen in the exercise of religious authority by religious leaders. Human's devotion and reverence of God should not drive how society is to be ordered. Instead, they should be private to each person. Both thinkers, in their departure from Augustine's view of human nature - the predominate way of explaining human behavior for more than a millennium - changed the subject of Western political discourse. It articulated a new way to discuss religion and common good without referring to the nexus between God, man, and world.[334]

Hume and Rousseau, diverged from this Hobbes-Locke-Grotius perspective which characterizes human society as solely motivated by self-preservation. Instead, they revisited Augustine's conception of humans as inherently relational. Nevertheless, their focus was limited to the human-creation relationship (the immanent), explicitly excluding any divine interactions.

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[333] Recall the discussion on Hobbes and Locke in chapter 2.

[334] Lilla, *The Stillborn God*, 88.

For example, Rousseau promoted a "civil religion," and in *The Social Contract*, he maintained that the modern state is a revival of paganism. Rousseau emphasized the saving nature of modern nationalism and vehemently vilified Christianity because, according to him, any form of loyalty outside of loyalty to the state must be rejected.

The reference point for the late seventeenth-century and eighteenth-century philosophers, unlike the thinkers that had gone before, had transitioned from transcendental to anthropocentric. Charles Taylor refers to this state as the "Great Disembedding," involving the growth and entrenchment of a new self-understanding of our social existence, one that gives unprecedented primacy to the individual.[335] It birthed a society that valorized willful human intentions and focused on harmonizing human behavior. The image of God's providential rule was reshaped: God became one of the interlocking causes for explaining human behavior rather than the first and efficient cause. The implication for economic thought, noted by Jean Bethke Elshtain is that the self becomes caught in a whirlpool of its own devising, spinning further and further away-from the self, the neighbor, and engagement with the created world.[336]

Adam Smith approached the treatment of human nature differently from the Grotian-Lockean approach discussed previously. As this study will show in the next section, he attempted to synthesize Augustine's treatment of human nature and society with the perspectives of Hume and Hutcheson, departing from Hobbes, Locke, and Grotius.

Section III: Human Nature in Adam Smith: A Synthesis of Christian Anthropology and Skepticism

Returning to Smith, this section will delve into the intersection of Adam Smith's economic thought and theories with Augustine's theology, examining how the latter's

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[335] Taylor, *Modern Social Imaginaries*, 50.

[336] Elshtain, *Augustine and the Limits of Politics*, 17.

philosophical and theological insights might illuminate or contrast with the former's foundational principles in economics. The analysis will focus on key themes such as human nature, morality, and the societal implications of economic behaviors, aiming to uncover any underlying convergences or divergences between these two influential thinkers. However, it is important to state now that, due to the limited scope of research conducted on the intersection, it is initially challenging to discern any direct correlation between the moral philosophies of both thinkers. Owing to the scarcity of existing scholarly work in this area, this section will utilize primary sources to explore the influence of Augustinian thought on Smith's writings. Additionally, where applicable, secondary sources will be employed to substantiate the claims presented, thereby enriching the discussion.

As had been mentioned above, the thesis that the prosperity of individuals and nations is based on selfishness, greed, self-interest, and the invisible hand of the market is mostly associated with Smith. Milbank subscribed to this thought and further lumped Smith ideas with Grotius, Locke, and Hobbes to accuse him of obliterating Christian charity from the public square. While he believed that Smith did not fall into the "contractualist" mistake of supposing that the individual assents to justice because of a deliberate utilitarian calculation that this will be best for his self-interest overall, general justice for Smith was still merely accidental justice because it was not naturally intended. According to Milbank, Smith is not very distinct from the "contractualists" because his concept of fellow feeling does not originate from the inherent nature of humanity as created. Rather, it emerges as a consequence of sentiment and sympathy.[337] Milbank argued that "while it is true that institutions of justice once in place induce an exercise of virtue and sympathy, the initial coming to be of these institutions is neither a matter of original

[337] Milbank, *Theology and Social Theory*, 29-30.

contract nor of 'public virtue,' rather of the gradual historical limiting of self-interest by self-interest."[338] This implies that instead of referring the moral to a hierarchy of true goals for genuine human fulfillment, it is now grounded in something specifically pre-moral, sub-rational, and natural, namely our common animal inclinations and aversions.[339] Smith and the contractualists see human action as governed by natural instincts that were implanted by God to ensure a harmonious societal outcome. God's providential design for them, is therefore limited to human self-interest, thereby neither giving room for divine mystery nor directing toward ends that transform and perfect human nature.[340] However, Jennifer Herdt disagrees with Milbank. She asserts that by lumping all the British moralist together, Milbank recognizes trivial difference between thinkers like Bernard Mandeville (to be discussed shortly), who claimed that all human actions are self-interested but providentially coordinated, and Hutcheson, who denied that human nature is self-interested, pointing to the fact that human beings are naturally sympathetic to the suffering of others.[341] Smith's articulation of human nature was in line with Hutcheson, who was his teacher and mentor (and whose moral theory has been discussed previously), but over the years, his perspective has been misinterpreted based on his discussion of the "invisible hand" in *Wealth of Nations*, which is not original to him. Hannah Arendt, another prominent thinker, criticized Smith's thought. She argued that his treatment of sympathy is a sentimentalism which serves as a fundamental threat to the respect of the human person. According to her, sympathy in politics typically twists compassion into pity when politicized, and pity "taken as a spring of

[338] Ibid., 30.

[339] Ibid., 29.

[340] Ibid.

[341] Jennifer Herdt, "The Endless Construction of Charity: On Milbank's Critique of Political Economy," *Journal of Religious Ethics* 32:2 (Summer 2004) 301–24.

virtue, has proved to possess a greater capacity for cruelty than cruelty itself."[342] She goes on to argue that it was due to appealing to pity, the people's sentiment, that the French Revolution was able to reign terror in Europe. Stephen Darwall disagrees with Arendt, arguing that the sort of sympathy that leads to what Arendt describes, was Hume's kind of sympathy, which is a psychological mechanism that transforms ideas of the feeling or passion of another "into the very passion itself."[343] Smith's sympathy for Darwall is different; it is a "specific form of fellow feeling, a sharing of another's feeling or motive as a result of projecting into his perspective and seeing his situation in the same emotionally or motivationally laden way we imagine he does."[344] This type of sympathy is unable to produce the sort of actions Arendt describes. It is important to now turn to Smith and examine where his moral philosophy converges or diverges from Augustine.

Unlike the social contractualists, as mentioned previously, Smith's analysis of human nature is predicated on the assumption that individuals are interdependent in their emotional connections to one another. He posited that since people share similar feelings and passions, they can identify with others as they observe these passions expressed through behavior. Smith referred to this process of emotional resonance as "sympathy," which he believed is deeply embedded in the essence of human existence. Unlike Hume and Rousseau who hold that human sympathy is circumstantial or the social contractualists who argue that fellow feeling is a result of the need for self-preservation, Smith argued that sympathy is neither driven by circumstance nor the need for self-preservation. Instead, it is built in. Like Augustine, he argued that the

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[342] Hannah Arendt, *On Revolution* (Viking Press, 1963), 76

[343] Darwall, "Sympathetic Liberalism: Recent Work on Adam Smith." 139–64. Also see Hume's *Treatise*, 317.

[344] Ibid., 144.

feeling of joy or grief is not confined to the virtuous and humane alone, but it is a universal feeling that has been deposited in man by the Author of life. What the sympathetic person has in view is not the other's feeling per se, but its object, viewed as he takes the other to view it.[345] He puts it this way in his opening of TMS:

> How selfish soever man may be supposed, there are evidently some principles in his nature which interest him in the fortune of others and render their happiness necessary to him though he derives nothing from it except the pleasure of seeing it. Of this kind is pity or compassion, the emotion which we feel for the misery of others, when we either see it, or are made to conceive it in a very lively manner. That we often derive sorrow from the sorrow of others, is a matter of fact too obvious to require any in stances to prove it; for this sentiment like all the other original passions of human nature, is by no means confined to the virtuous and humane, though they perhaps may feel it with the most exquisite sensibility. The greatest ruffian, the most hardened violator of the laws of society, is not altogether without it.[346]

He cites several examples to buttress his point. For example, the grief felt when someone dies, even when we are yet to know the circumstance that led to the death of such a person, is an instance where our fellow feeling in called forth. This consideration of others occurs because individuals possess the capacity to evaluate how they would feel if they were in the sufferer's position: the ability to empathize or put oneself in another's shoes. Just as Augustine believed that the quality of a person's will is what determines whether they will choose good or evil, Smith also posited that the quality of sympathy impacts all of man's passions in one way or another. He notes:

> Neither is it those circumstances only which create pain or sorrow that call forth our fellow feeling. Whatever is the passion which arises from any object in the person principally concerned, an analogous emotion springs up, at the thought of his situation, in the breast of every attentive spectator…. In every passion of which the mind of man is susceptible, the emotions of the bystander always correspond to what, by bringing the case home to himself, he imagines should be the sentiments of the sufferer[347]

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[345] Ibid.

[346] Smith, *Theory of Moral Sentiments*, I.i.I.1, 9.

[347] Ibid., I.i.I.4, 10.

It is reasonable to infer from the above that Smith's concept of sympathy parallels Augustine's treatment of love. In Smith's framework, sympathy functions as the motivating force that guides the will towards particular actions. This alignment suggests that for Smith, just as Augustine saw love as a pivotal element in directing human behavior towards good, sympathy acts as a fundamental driver in shaping ethical interactions and fostering social cohesion. Thus, sympathy serves as the moral catalyst that influences the will to engage in actions that are considerate of others' feelings and circumstances.

Like Augustine, Smith recognized love as the driver of the human virtues of generosity and benevolence. Such love in its weaker state, according to Smith, can only lead to selfish passions. He describes it this way:

> And hence it is that to feel much for others and little for ourselves, that to restrain our selfish, and to indulge our benevolent affections, constitutes the perfection of human nature; and can alone produce among mankind that harmony of sentiments and passions in which consists their whole grace and propriety. As to love our neighbor as we love ourselves is the great law of Christianity, so it the great precept of nature to love ourselves only as we our neighbor, or what comes to the same thing as neighbor is capable of loving us.[348]

Here, Smith associates the Stoic virtue of self-command, which is the ability to restrain selfish desires, with the Christian virtue of love. If the desire to care for others is all that nature has infused in man, then there will be no need for moral dialogues since everyone will act virtuously and uprightly. But Smith also recognizes the imperfection of man because of the Fall. While not explicitly referring to the Fall, Smith, like Augustine, notes happiness as man's telos. He writes, "The happiness of mankind, as well as of other rational creatures, seems to have been the original purpose intended by the Author of nature, when he brought them into existence. No

[348] Smith, *Theory of Moral Sentiments*, I.i.5.5, 25.

other end seems worthy of that supreme wisdom and divine benignity…."[349] How we are led to know this is "still more confirmed by the examination of the work of nature (around us) that all seem intended to promote happiness, and guard against misery."[350] Here, Smith is appealing to natural theology: that it is possible through examining nature to understand man's true end. By pursuing the happiness of mankind, we are in some ways cooperating with God as far as our power can, in the plan of providence. He goes further to note that by acting contrary, "we obstruct in some measure, the scheme which the Author of nature has established for happiness and perfection of the world and therefore declare ourselves in some measure, the enemies of God."[351] However, MacIntyre argues that Smith rejected any teleological view of the human nature and any view of man as having an essence which defines his true end.[352] He notes:

> The moral scheme which forms the historical background to their thought has, as we have seen, a structure which required three elements: untutored human nature, man-as-he-could-be-if-he-realized-his-telos and the moral precepts which enable him pass from one state to the other. But the joint effect of secular rejection of both Protestant and Catholic theology and the scientific and philosophical rejection of Aristotelianism was to eliminate any notion of man-as-he-could-be-if-he-realized-his-telos. Since the whole point of ethics – both as a theoretical and a practical discipline – is to enable man to pass from his present state to his true end.[353]

MacIntyre further notes that Smith uncritically accepted this eighteenth century moral philosophy because Smith was "already comfortable and complacent within the epistemological scheme of British empiricism."[354] The response to this has already been discussed previously. As Macfie had clarified, Smith was more aligned with the Stoic tradition, which was more

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[349] Ibid., III.5.7, 166.

[350] Ibid.

[351] Ibid.

[352] MacIntyre, *After Virtue*, 54.

[353] Ibid., 54-55.

[354] Ibid., 55.

obtainable among Scot thinkers than British empiricism. Also, this might be the reason there seemed to be no transcendental teleological language in Smith. It may have also been because Smith was trying to get the attention of a particular audience. Fleischacker also writes that "if everyone's society profoundly shapes everyone's moral standards, then for one thing, who is Adam Smith to assume that the criticisms he might offer of his society could flow from a moral standard radically different from those his society taught him?…how could Smith and any other would-be critic, expect his society to listen to him if he merely rejected its standards."[355] Fleischacker further argues that the lack of teleological language in Smith's work might also have been because Smith never required belief in God as a necessary condition for his empirical explanations.[356] With Smith's statement quoted above, Fleischacker notes that the religious language that backs up Smith's empirical language in TMS may be simply a rhetorical flourish or a nod to the conventions of that time, or it may have been intended to allow the religiously inclined readers to see how his explanations of human nature were compatible with the view that God establishes and rules all nature.[357] Regardless of whether Smith's portrayal of human nature is interpreted through a secular or religious lens, it unmistakably reflects Augustinian influences, underscoring a profound engagement with themes of human nature that resonate with Augustine's own theological discourse.

Section III:1 Smith's Moral Theology through the Lens of Augustine

The reason man can act in opposition to God's plan, Smith notes, is because man has been given freedom of choice. Beneficence, therefore, "is free and cannot be extorted by

[355] Fleischacker, *On Adam Smith's Wealth of Nations*, 53.

[356] Ibid., 45.

[357] Ibid.

force."[358] The implication of this for Smith is that violence and artifice become the prevailing order, rather than sincerity and justice.[359] Even though man seeks to pursue the good, due to his imperfection, "the natural course of things cannot be entirely controlled by the impotent endeavors of man: the current tide is too rapid and too strong for him to stop it."[360] Recall that Augustine also alluded to this, arguing that any pursuit of the good outside the love of God can only lead to temporary peace and a perpetual cycle of violence. But just like Augustine's thought on the heavenly citizen on pilgrimage in the earthly city, Smith also believes that the Author of nature (God) has not left humanity without hope. He writes:

> When we thus despair of finding any force upon earth which can check the triumph of injustice, we naturally appeal to heaven, and hope that the great Author of our nature will himself execute hereafter, what all the principles which he has given us for the direction of our conduct, prompt us to attempt even here; that he will complete the plan which he himself has taught us to begin; and in the life to come, render to every one according to the works which he has performed in this world.[361]

However, this is not to say that God will not intervene to ensure justice even in this life. Smith notes:

> When the general rules which determine the merit and demerit of actions, come thus to be regarded as the laws of an All-powerful Being who watches over our conduct, and who in a life to come will reward the observance, and punish the breach of them; they necessarily acquire a new sacredness from this consideration. That our regard to the will of the Deity ought to be the supreme rule of our conduct, can be doubted of by nobody who believes his existence. The very thought of disobedience appears to involve in it the most shocking impropriety. How vain, how absurd would it be for man, either to oppose or to neglect the commands that were laid upon him by Infinite Wisdom, and Infinite Power. How unnatural, how impiously ungrateful not to reverence the precepts that were prescribed to him by the infinite goodness of his Creator, even though no punishment was to follow their violation. The sense of propriety too is here well supported by the strongest motives of self-interest. The idea that, however, we may escape the observation of man, or be placed above the reach of human punishment, yet we are always acting

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[358] Smith, *TMS*, II.ii.1.4, 78.

[359] Ibid., III.5.11, 169.

[360] Ibid., 168.

[361] Ibid., 169.

> under the eye, and exposed to the punishment of God, the great avenger of injustice, is a motive capable of restraining the most headstrong passions, with those at least who, by constant reflection, have rendered it familiar to them.[362]

Therefore, the heavenly citizen will, by virtue of its reverence for God, pursue true justice in the earthly city. The point of divergence between Augustine and Smith here is that while Augustine's view of reverence is born out of the love for God which cannot be attained by man's own power or by general revelation alone, Smith's is born out of the fear of God's wrath. How can man even come to the realization of a justice that transcends this world? Smith merely assumes that it is a given, natural trait.

Notwithstanding, Kathryn Blanchard sees a stripped-down narrative of creation, fall, and redemption contained in Smith's description of human nature.[363] A.M.C. Watermann interprets Smith's treatment of human nature, happiness, and divine providence as an exercise in Augustinian theodicy, where sin occasioned the need for salvation.[364] For Augustine, grace is what leads man to a realization of their imperfection and the need for God in order to live right. On the contrary, Smith believes that living right involves improving one's character by projecting oneself into the action of another. Smith's view of human nature will always include what people aspire to and is never reduced to the desires they merely happen to have. This is because outside the Augustinian view of love for God, desires are disordered, even though there is a longing for more. Therefore, for Smith, sympathy is not sufficient to curb selfish passions. This is because our natural sympathies sometimes get diverted from virtue. Hence, he introduces the concept of the impartial spectator.

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[362] Smith, *TMS*, III.5.12, 170.

[363] Blanchard, *The Protestant Ethic or The Spirit of Capitalism*, 74.

[364] Waterman, "Economics as Theology: Adam Smith's Wealth of Nations," 907–21, 918.

Smith's impartial spectator allows individuals to step outside themselves and view their behavior from a neutral perspective.[365] Appealing heavily to Stoic thinking, Smith suggests that people can judge the fairness and morality of their own actions and feelings by considering how their actions would be perceived by this unbiased observer. This internalized figure promotes self-regulation and ethical behavior, ensuring that individuals act in a manner that upholds societal norms and moral standards. The impartial spectator serves as a personal ethical compass, guiding individuals toward actions that are just and commendable in the broader social context by humbling the arrogance of self-love. He puts it this way:

> Were it possible that a human creature could grow up to manhood in some solitary place, without any communication with his own species, he could no more think of his own character, of the propriety or demerit of his own sentiments and conduct, of the beauty or deformity of his own mind than of the beauty or deformity of his own face. All these are objects which he cannot easily see, which naturally he does not look at, and with regard to which he is provided with no mirror which can present them to his view. Bring him into society and he is immediately provided with the mirror which he wanted before. It is placed in the countenance and behavior of those he lives with which always mark when they enter into and when they disapprove of his sentiments; and it is here that he first views the propriety and impropriety of his own passions, the beauty and deformity of his own mind.[366]

Our first idea of beauty is not drawn from the shape and appearance of ourselves but of others. In the same vein, our first moral criticisms are exercised based on the characters and conduct of

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[365] According to Smith, nature has a way of correcting the irregularities/failures of sympathy. He notes: Notwithstanding however all these seeming irregularities of sentiment, if man should unfortunately either give occasion to those evils which he did not intend, or fail in producing that good which he intended, Nature has not left his innocence altogether without consolation, nor his virtue altogether without reward. He then calls to his assistance that just and equitable maxim that those events which did not depend upon our conduct ought not to diminish the esteem that is due to us. He summons up his whole magnanimity and firmness of soul and strives to regard himself not in the light in which he at present appears, but in that in which he ought to appear, in which he would have appeared had his generous designs been crowned with success, and in which he would still appear, notwithstanding their miscarriage, if the sentiments of mankind were either altogether candid and equitable, or even perfectly consistent with themselves. The more candid and humane part of mankind entirely go along with the efforts which he thus makes to support himself in his own opinion. They exert their whole generosity and greatness of mind, to correct in themselves this irregularity of human nature, and endeavor to regard his unfortunate magnanimity in the same light in which, had it been successful, they would, without any such generous exertion, have naturally been disposed to consider it (*TMS* II.iii.3.6).

[366] Smith, *TMS*, III.1.3.

others rather than ours. Therefore, the only way we can truly reflect on our own conduct is by putting ourselves into the shoes of the other person and, at the same time, assessing the conduct of the other person without bias. He notes:

> When I endeavor to examine my own conduct, when I endeavor to pass sentence upon it, and either to approve or condemn it, it is evident that, in all such cases, I divide myself, as it were, into two persons; and that I, the examiner and judge, represent a different character from that other I, the person whose conduct is examined into and judged of. The first is the spectator, whose sentiments with regard to my own conduct I endeavor to enter into, by placing myself in his situation, and by considering how it would appear to me, when seen from that particular point of view. The second is the agent, the person I properly call myself, and of whose conduct, under character of a spectator, I was endeavoring to form opinion.[367]

Smith goes on to note, just like Augustine, that man naturally desires, not only to be loved, but to be lovely, and naturally dreads, not only to be hated, but to be hateful.[368] He desires not only praise, which was the driver of Augustine's passion as a young boy, but praiseworthiness. The love of praise, according to Smith and as Augustine noted in his *Confessions*, gives little or no pleasure, so it cannot be considered as proof of praiseworthiness.[369] Augustine notes in his reflection of the pear tree theft: "and now, O Lord my God, now that I ask what pleasure I had in that theft, I find that it had no beauty to attract me."[370] Augustine's desire was to win the praise of his peers, "a craving for honor and glory."[371]

Therefore, the impartial spectator serves as a mechanism to counterbalance the powerful impulses of self-love and the desire for praise. This conceptual figure helps to recalibrate our

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[367] Smith, *TMS*, III.1.6

[368] Augustine, in building up to the story of the pear tree theft, in Confessions, talked about his desire to gain acceptance from the public's (his peers) eyes.

[369] Augustine notes: "For I heard them bragging of their depravity, and the greater the sin, the more they gloried in it…." (*Confessions*, II.3); Smith, *TMS*, III.2.2.

[370] Augustine, *Confessions*, II.6.

[371] Ibid.

perspectives, often skewed by personal interests, enabling us to consider the broader social good. However, Smith acknowledges that there are instances when public opinion or societal pressures can conflict with the judgment of the impartial spectator, thereby weakening its influence. When the values or actions endorsed by the broader community diverge from those that an impartial, objective observer would approve, individuals may find themselves swayed by popular sentiment. This tension can lead to a dilution of the impartial spectator's effectiveness in guiding moral behavior as people may prioritize conforming to prevailing social norms over adhering to a more detached, ethical standard. Smith notes: "so partial are the views of mankind with regard to the propriety of their own conduct, both at the time of action and after it; and so difficult is it for them to view it in the light in which any indifferent spectator would consider it…. this self-deceit, this fatal weakness of mankind, is the source of half the disorders of human life."[372] He elaborates further, "But though man has, in this manner, been rendered the immediate judge of mankind, he has been rendered so only in the first instance; and an appeal lies from his sentence to a much higher tribunal…."[373] While Smith attributes this higher tribunal to one's own conscience, he continues by noting that when man becomes aware of his frailty, he appeals to a higher tribunal rather than his own conscience. This higher tribunal is the "all-seeing Judge of the world, whose eye can never be deceived and whose judgement can never be perverted.[374]

By subordinating one's own judgement to the judgement of the all-seeing Judge, Smith argues:

> Our happiness in this life becomes dependent upon the humble hope and expectation of a life to come: a hope and expectation deeply rooted in human nature; which can alone support its lofty ideas of its own dignity; can alone illumine the dreary prospect of its

[372] Smith, *TMS*, III.4.5,6

[373] Ibid., III.2.32.

[374] Ibid., III.2.33-34

> continually approaching mortality, and maintain its cheerfulness under all the heaviest calamities to which, from the disorders of this life, it may sometimes be exposed.[375]

Unlike Hume and Hutcheson, Smith seems to ground morality in divine revelation or a force outside of human experience in Augustinian fashion. To show that the outside force he was referring to is God, Smith argues for God as the final cause or the ultimate telos, unlike MacIntyre's accusations. He notes:

> But though in accounting for the operations of bodies, we never fail to distinguish in this manner the efficient and final cause, in accounting for those of the mind we are apt to confound these two different things with one another. When by natural principles we are led to advance those ends, which a refined and enlightened reason would recommend to us, we are apt to impute to that reason, as to their efficient cause, the sentiments and actions by which we advance those ends, and to imagine that to be the wisdom of man, which in reality is the wisdom of God.[376]

Smith is not optimistic that humans can engage in meaningful dialogue in their fallen state. Yet, when a successful social order results, it is mistakenly attributed to human reason rather than God who alone shaped the final cause.[377]

Section III: 2 Envisioning a Humane Economy: Smith's Ethical Framework for Economics

The analysis of Smith's thought on human nature so far shows that when self-love is properly directed, it has the potential to transform passions into virtues. Specifically, it brings about the virtues of beneficence and generosity. Alongside these virtues, justice also emerges as a crucial element in Smith's ethical framework. This virtue is particularly significant to Smith because it underpins the functional integrity of society. Justice ensures that social interactions are conducted fairly and that the rights of individuals are upheld, facilitating a well-ordered and harmonious community. He notes:

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[375] Ibid.

[376] Smith, *TMS*, II.ii.3.5.

[377] Noelle, *Reckoning with Markets*, 78.

> Though nature, therefore, exhorts mankind to acts of beneficence, by the pleasing consciousness of deserved reward, she has not thought it necessary to guard and enforce the practice of it by the terrors of merited punishment in case it should be neglected. It is the ornament which embellishes, not the foundation which supports the building, and which it was, therefore, sufficient to recommend, but by no means necessary to impose. Justice, on the contrary, is the main pillar that upholds the whole edifice. If it is removed, the great, the immense fabric of human society, that fabric which to raise and support seems in this world, if I may say so, to have been the peculiar and darling care of Nature must in a moment crumble into atoms.[378]

However, man's impartial judgment of a situation may be marred by greed as already observed in Smith's treatment of human nature. So how can society enforce justice? Smith responds that:

> Nature has implanted in the human breast that consciousness of ill desert, those terrors of merited punishment which attend upon its violation, as the great safeguards of the association of mankind, to protect the weak, to curb the violent, and to chastise the guilty. Men, though naturally sympathetic, feel so little for an another, with whom they have no particular connection, in comparison of what they feel for themselves; the misery of one, who is merely their fellow creature, is of so little importance to them in comparison even of a small conveniency of their own.[379]

For Smith, established rules in the social order help guide the impartial spectator in the moral discernment process. Even though God has implanted in man a sense of justice, as Augustine believed, Smith argued that man can become puffed up, power drunk, and greedy, hence the reason for social institutions to help curb the excesses. It also helps to curb our selfish desires because now we are not thinking about ourselves alone but thinking and expressing sympathy for even people we do not know. Justice is what drives prudence, charity, and generosity. Therefore, Smith believes that while prudence may provide the basic rules of order and conduct its practical application requires significant dialogue and discernment which only justice provides.[380] Augustine also believed in the establishment of institutions to curb the excesses of disordered desires, and he argued that Christians ought to be in the forefront of advocating for societal

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[378] Smith, *TMS*, II.ii.3.3

[379] Ibid.

[380] Noell and Haltmann, *Reckoning with Markets*, 80.

justice.[381] Drawing inspiration from the dominant feature in the pagan's concept of city, which was the notion of justice, Augustine held justice as the first condition required for the city's existence. He also showed how human justice could only lead to temporary concord since true justice can only be found in Christ and in the city of God[382]

Market interactions, for Smith, is an area where the control of self-love and the exercise of justice is necessary. He believed that for the market to function effectively, certain moral foundations needed to be in place. He laid out these moral foundations in TMS, hence the reason, in his WN, he assumed those moral categories in discussing how the market should function. If WN is read separately from TMS, Smith will appear to be promoting self-interest or private vices leading to public interest. This would be a market driven by greed but with the existence of an invisible force always there to correct market forces and return it to equilibrium. He seems to support a market where actions do not matter if they provide the most benefit and least harm for most market players. Hence the reason Charles Taylor stated that with Smith, every form of relationship or interaction becomes solely for mutual economic benefit rather than as it was obtainable in the old social order where meeting collective needs was the norm. John Mueller, an extraordinarily strong modern critic of Smith, argues that Smith's "invisible hand" eliminates two elements logically required for economic analysis, namely the Scholastic theories of utility (Augustine) and final distribution (Aristotle).[383] Mueller further asserts that Smith's "invisible hand" was a Stoic version of providence that reduces humans to marionette puppets who are compelled to act by some hidden force, manipulating the heartstrings of their moral sentiments.[384]

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[381] See Augustine's *Sermon* 302.

[382] Augustine, *City of God*, II.21-29.

[383] Mueller, *Redeeming Economics*, 53.

[384] Ibid., 55-54.

For Mueller and Taylor, Smith's human treats other humans as merely means to a self-interested end. Mueller goes on to argue that while Augustine was not the first to say that persons ought to be treated as ends and not merely means, what sets him (Augustine) apart as an analyst was his observation that every human does always act with some person(s) as the ultimate end or purpose of action.[385]

Presenting Adam Smith as advocating for impersonal and manipulative human relationships represents a misinterpretation of his philosophical stance. Contemporary scholars such as Amartya Sen and Christian economists like Deirdre McCloskey, James Halteman, Edd Noell, Paul Oslington, Eric Gregory, and Joost Hengstmengel, have championed a more nuanced and potentially theological reading of Smith's works. These thinkers assert that Smith provides a foundational framework for a normative approach to economics that centrally considers the dignity and intrinsic value of the person. This perspective advocates for an economic system that transcends mere efficiency to embrace principles of compassion and justice, thereby upholding and promoting the holistic well-being of all individuals within the economic sphere. Smith understood that while it was easy to show benevolence to those close to us, it was harder to show acts of benevolence to someone distant whom we do not know even exists. For example, while one can sympathize with victims of an earthquake in China, we are more deeply moved on that same day of the earthquake by one's own child was involved in an accident that claimed his finger. One's child at this point becomes the object of our sympathy, even though the earthquake is equally, if not more, important.[386] We will still sympathize with the victims of the earthquake and want to see how we can be of help even though we are miles away and do not have a direct

[385] Ibid., 23.

[386] Smith, *TMS*, III.3.4

relationship with them. That thought of kindness that we show, according to Smith, is not simply the soft power of humanity. Rather, it is benevolence which "nature has lighted in the human heart, that is capable of counteracting the strongest impulses of self-love."[387] Here, persons become the end rather than simply a means to an end. The happiness of the other becomes important to us, just as our own happiness is important to us; this is what drives market participation in Smith's WN. In his critique of Smith through Augustine's treatment of virtue, Mueller states that Augustine provided a more logically consistent theory of providence than Smith because the order we observe in markets and society results entirely from the virtue that remains even in bad people as long as they exist.[388] From this statement, it is surprising that Mueller fails to recognize a parallel between Augustine's concept of inherent virtue influencing societal order and Smith's earthquake analogy.

Smith, as mentioned previously, understood that it is easier to show kindness to people around us than people that we do not know. However, he also argues that in dealing with people that we do not know, trust and honest dealing is important. Self-love ought to be restrained and channeled towards winning the favor of others because, in a civilized society with advances in division of labor, reliance on benevolence alone cannot lead to economic growth. He articulates it this way:

> But man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favor and show them that it is for their own advantage to do for him what he requires of them.[389]

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[387] Ibid., III.3.5

[388] Mueller, *Redeeming Economics*, 52.

[389] Smith, *Wealth of Nations*, Book I.2, 12

Smith perceived the market as being driven by self-love, which aligns with Augustine's observation that humans inherently desire to love and be loved. In TMS, Smith discusses how love functions as the catalyst for sympathy, suggesting that this emotional underpinning influences human interactions and ethical behaviors. He applies this same principle to his economic theories of market operation. Smith's market operates through a complex interplay of individual self-loves, with each participant in the market acting out of self-interest. However, these actions are coordinated based on certain moral foundations.

He based his famous analogy of the butcher, brewer, and baker on this concept.[390] According to Smith, in an impersonal marketplace (such as international trade), one cannot rely on the benevolence of the other to get what one needs. Rather, one offers to the other what they need (which one has) in exchange for what the other has (which one needs). Smith views this as how self-love drives the market. He goes further to argue that only a beggar depends solely on the benevolence of others. However, "even the beggar does not depend upon it entirely."[391] This is because while "the charity of well-disposed people, indeed, supplies him with the whole fund of his subsistence…it neither does nor can provide him with them as he has occasion for them."[392] Therefore, even someone who relies solely on charity to survive must engage in market exchange (and appeal to the self-love of others), just like everyone else. As a result of this, moral virtues such as honesty and trust become important for restraining the excesses of self-love. According to Halteman and Noell, the impartial spectator remains present in impersonal exchanges, leads in the marketplace to qualify his self-interest and, in doing so, contributes to forming a social cohesion that proves effective over time because this grounds moral behavior in

[390] Ibid.

[391] Ibid.

[392] Ibid.

a person's "real interest."[393] However, for Smith, the presence of self-love driving market interactions does not preclude the manifestation of human malevolence. As he illustrated in TMS, some individuals are susceptible to being overwhelmed by greed and malevolence. These negative traits can extend into their actions within the marketplace. Smith recognized that while the market is a system regulated by individual interests and sympathies, it is also a sphere where less virtuous motivations like greed and selfishness can influence behavior. Therefore, like Augustine and the Scholastics, he condemns market practices that lead to exploitation of the vulnerable such as borrowing for speculation, oppression and domination of laborers by employers, slave trade, tradesmen conspiracy against the public by artificially raising prices, the extravagant lifestyles lived by those in authority, monopoly by merchants and manufacturers, university professors who were out for their selfish interests alone, and lawyers who multiplied words beyond all necessity.[394] Like Hengstmengel noted, no class in society escaped this Smithian-Augustinian fall from grace.[395] Hence, as opposed to what Smith's critics say, *Wealth of Nations* presents, as Spiegel asserts, a gloomy view of the human condition which recalls the ancient theological concern with original sin.[396]

From this study's analysis of both Smith's view on human nature and society, one thing clear in Smith was the importance of moral reflections as the path towards virtue. Smith tried to show, like Augustine, that the human situation reaches its potential only if people realize their true telos. For Smith's critics who accuse him of rejecting Christianity for a moral Newtonianism and philosophical Stoicism, Halteman responds by arguing that Smith did not reject the notion of

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[393] Halteman and Noell, *Reckoning with Markets*, 82.H

[394] Adam Smith, *Wealth of Nations*, I.8, 10, II.3, IV.3, V.1, VI.

[395] Hengstmengel, *Smith and Enlightened Augustinianism*, 167.

[396] Spiegel, "Adam Smith's Heavenly City," 478–493, 483.

a moral reference point outside the person, but he rejected a coercive duty-bound moral reference point derived from oppressive religion.[397] Now, Smith's ambiguity regarding the nature of the moral force external to humanity leaves open the question of whether he was referring to the Christian God. If we consider his Calvinist background, it is plausible that his references to a moral force could be interpreted as nods to the Christian God. However, the lack of explicit clarity allows for various interpretations, reflecting the nuanced way in which he addressed theological and moral issues. Regardless of his specific theological references, Smith demonstrated how Christians can actively participate in meaningful economic discussions within a pluralistic society. His framework accommodates a broad range of moral and religious perspectives, thereby providing a foundation for inclusive and ethical economic discourse.

Section III:3 Smith and The Theory of the Invisible Hand

One last point to address is the common misconception regarding Smith's association with the "invisible hand" theory. Although this concept has deeply influenced ethical and moral discourse in economics, leading to the development of the rational choice model with *homoeconomicus* as its archetype, its attribution to Smith as a central theme of his work is inaccurate. While Smith did mention the "invisible hand" in his writings, it was not the cornerstone of his economic theory as many believe.[398] This misattribution has shaped the way economic models and behaviors are understood, emphasizing individual rationality and self-interest in market dynamics. It is the belief of the researcher that both Mueller and Milbank are aware of this misattribution, yet they appear to have intentionally overlooked it. This decision to

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[397] Mueller, *Redeeming Economics*, 51; Jacob Viner, "The Invisible Hand and Economic Man," in *The Role of Providence in the Social Order: An Essay in Intellectual History*, 81; Halteman, *The Clashing Worlds of Economics and Faith*, 203.

[398] Smith mentioned it only thrice in his works. once in *Wealth of Nations* and once in his *Essays on Philosophical Subjects* and once in *Theory of Moral Sentiments*.

ignore the nuance in Smith's original usage suggests a strategic choice, possibly to align their critiques to fit a certain narrative.

First, Smith's only mention of the "invisible hand" was not until Book IV of his WN, to show how insignificant that concept was to his economic theories. Second, Smith used this specifically in the context of foreign trade and not as the rule for how society works in general, as he has been misinterpreted. He noted that even though the merchant was acting for his own gain and his own security, "by directing that industry in such a manner as its produce may be of the greatest value…, he is…led by an invisible hand to promote an end which was no part of his intention.[399] Here, Smith did not attribute this hand to any form of providence. In TMS, however, he argued that the rich, even in the pursuit of their selfish, vain, and insatiable desires, are "led by an invisible hand" to distribute some part of their wealth to the poor because providence has not left anyone destitute.[400] Augustine will say that this is a part of the human nature's way of seeking and maintaining earthly peace, since even the selfish person can still exhibit God's goodness because that is part of his nature, even though that does not remove him from the justice of God.[401]

Therefore, the popularized theory of the "invisible hand," the version that rendered ethics irrelevant in the field of economics, was developed by Bernard Mandeville. In his poem *Fable of the Bees*, Mandeville posited that the foundation of any national prosperity and happiness was vice. According to him, there was no virtue that could be found in the world, and even the most virtuous act was still a vice. The affairs of the world, according to him, are not managed in obedience to any transcendent view of morality, and if all actions were to cease except those due

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[399] Smith, *Wealth of Nations*, Book, IV.2, 300

[400] Smith, *Theory of Moral Sentiments*, IV.1.10-11.

[401] Augustine, *City of God*, XIX.13.

to unselfishness, the pure idea of good or the love for God will lead to an end in trade. This is because at the bottom of man's want is selfishness, and if everyone were to act according to God's law, there will be no need to strive for any craft since it would not lead to the satisfaction of wants.[402] Mandeville says thus:

> After this I flatter myself to have demonstrated that, neither the friendly qualities and kind affections that are natural to man, nor the real virtues he is capable of acquiring by reason and self-denial, are the foundation of society; but that what we call evil in this world, moral as well as natural, is the grand principle that makes us sociable creatures, the solid basis, the life and support of all trades and employments without exception: That there we must look for the true origin of all arts and Sciences, and that the moment evil ceases, the society must be spoiled, if not totally dissolved.[403]

Mandeville's social philosophy was based purely on the principle of greed, self-love, and egoism. These are the very things Augustine and Smith spoke against. While what Mandeville was trying to articulate was more in line with Augustine's pessimistic view of human nature since the Fall, if properly nuanced, it would have saved the catastrophic damage that his theory ended up having on economic thought. Sedlack notes that the thesis – that partial evil contributes to the good of the whole and therefore not advisable to remove – is one that we repeatedly encounter in much older writings such as *The Epic of Gilgamesh* and even in Jesus' teaching on the weeds and the wheat, as well as in Aquinas.[404] While it is not a new proposition, perhaps if Mandeville had referred to some of these examples, then he would have presented a more balanced and comprehensive analysis of human nature and the social order. By not presenting such a balanced analysis, Mandeville presented himself as a proponent of Bentham's utilitarianism and the hedonistic program. Sedlack argues that he goes even farther than the hedonist did by advocating that greed was the only way that economic progress could be

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[402] See Mandeville, *The Fable of the Bees or Private Vices*, 25, 55-57.

[403] Mandeville, *Fable of the Bees*, 231.

[404] Sedlack, *Economics of Good and Evil*, 189.

achieved.[405] Modern economic theory -- which operates on the assumption that human needs are unlimited while resources are scarce along with the contemporary interpretation of the "invisible hand" principle -- should more accurately be attributed to Mandeville rather than Smith. Thus, the secularization of economics, shifting focus from moral and ethical considerations to efficiency and utility, can be seen as beginning with Mandeville's philosophical contributions.

Though Smith leaves certain concepts such as the impartial spectator open to interpretation, his overarching thesis is clear: humans have a telos, and earthly life is not the entirety of human existence, as individuals will face divine judgment. In this way, Smith introduces a form of eschatological hope like that of Augustine. He suggests that although imperfections pervade our earthly existence, a state of perfection awaits us in the afterlife. Furthermore, Smith, like Augustine, emphasizes the significance of our earthly actions as they resonate into eternity. In contrast to the social contractualists, who view every action as motivated by self-interest, Smith shares Augustine's view that human actions are driven by a fundamental desire to love and be loved. He posits that fellow feeling and sympathy are intrinsic to human nature, regardless of humanity's fallen state. This perspective not only enriches the understanding of human behavior, but it also suggests that humans have a capacity for altruism and empathy which underlies economic and social interactions. On the other hand, Mandeville's work marked a significant shift in economic thought, steering away from Smith's concept of a self-regulating moral economy toward the idea of emphasizing the rational identification and understanding of natural principles underlying social order. His approach advocated for the alignment of human laws with these natural principles, suggesting a more systematic and empirical framework for organizing society. This redirection was a departure from Smith's

[405] Ibid.

emphasis on moral sentiments as the foundation of economic regulation, moving instead towards a perspective that prioritized logical and scientific analysis in the shaping of economic policies.

Chapter 4

Smith and Augustine on Freedom and Justice

Smith's vision for a humane society and economy was at the center of his intellectual endeavors, mirroring Augustine's perspectives in several ways. Both thinkers regarded humans as "rational animals," driven by desires that guide their actions and by a fundamental need to love and be loved, traits that distinguish them from irrational creatures. This rationality renders humans accountable for their actions, subjecting them to moral appraisal as either praiseworthy or blameworthy. In addition, Smith, like Augustine, recognized that humans are inherently social beings. However, their sociability is not merely a strategy for protecting self-interest, as social contractualists would argue, nor solely a result of sympathy, as suggested by the moral sense theorists. Instead, their sociability arises from a deeper, intrinsic aspect of human nature, oriented towards forming meaningful connections and fostering communal well-being, which transcends simplistic economic or empathetic motivations. Smith, just like Augustine, therefore emphasized agreement and harmony around common objects of love: not love driven by economic interest, but one that is affective and pursues common values, goods and concerns in the larger society.

In his TMS, Smith showed how the innate moral sense was important to all human behavior and explained the process by which humans adopt the moral standards with which they judge the actions of others and themselves. Smith then used that in WN to show how economics is embedded in the historical, psychological and social fabric of a society as well as the important role moral reflections play. Both works together show the relationship between Smith's moral philosophy and his economic theory. While TMS is concerned with the ordering of moral behavior and the maximization of virtue, WN is concerned with the ordering of

economic behavior and wealth maximization as a means to a higher end.[406] Smith's two major books, according to Edward Younkin, provide a systematic and essentially unified whole in which moral and economic ideas are coordinated and integrated.[407] Smith envisioned a humane economy, where the benevolent man of TMS, is also the commercial man of WN. Like Augustine, Smith believed that humans have a telos, and that telos is happiness. He further argued for the eschatological significance of human actions, suggesting that our conduct in this life has implications for the afterlife. Therefore, the critiques that Smith obliterated Christian charity from the public sphere (Milbank, Mueller), by promoting self-interest and greed, overlook the complexity and nuance in his work. Smith did not simply advocate for self-interest in the narrow sense often construed; rather, he recognized that self-interest, when properly understood within the broader context of his moral philosophy, could coexist with and even enhance communal welfare and moral responsibility. George O'Brien therefore cautions people like Milbank and Mueller to be careful about exaggerating the length to which Smith went in his approval of the pursuit of one's own self-interest; he notes, "the idea that he (Smith) was a mere materialist, without any conception of or regard for the higher purposes of life, is unjust and untenable."[408] Unlike Hobbes, who argued that man was mainly moved by self-interest, Smith's theory allowed for people to have higher ends which transcends wealth acquisition alone. Macfie observed that when Smith's work is correctly interpreted, as John Miller did, it becomes evident that for Smith, the chief end of man was to glorify God.[409]

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[406] Edward W. Younkins, *Champions of a Free Society: Ideas of Capitalism's Philosophers and Economists* (Blue Ridge Summit: Lexington Books/Fortress Academic, 2008), 124.

[407] Ibid

[408] O'Brien, *The Economic Effects of the Reformation*, 73

[409] Macfie, *The Individual in Society*, 144.

The four principal virtues people should possess according to Smith are prudence, justice, benevolence, and self-command. Prudence and justice belonged to lower virtues, which are necessary for commerce and economic exchanges. Benevolence and self-command, which includes, charity, compassion, kindness, friendship and love, were higher virtues that helped drive the lower virtues in directions that would result in societal welfare and happiness. But Smith, also contends that many may never get beyond the level of the lower virtues and are likely to believe that material goods will make them happier, so they seek them for that reason.[410] But Smith was not alone in this thought, Augustine, also contended that some people suppose that the virtues are true and authentic when they are directed to themselves alone and are not sought for the sake of anything beyond themselves.[411] But while Smith argued that this lower virtues can still societal progress as unintended outcomes, Augustine argued the result is often pride, which is therefore not to be counted as virtues but rather as vices.[412] But he also went on to state that though these virtues are indeed counted as vices because they are driven by the flesh, still yet, in the meantime, they are beneficial to society, as long as the two cities are intermingled, "we also make use of the peace of Babylon."[413] Therefore, Smith and Augustine believed that the lower virtues when directed properly was able to lead to temporary earthly peace which even citizens of the heavenly city on pilgrimage could enjoy.

The journey of economic thought, from Smith's foundational concerns to the preoccupations of contemporary economists however exhibited a complex and winding progression. The previous chapter did not emphasize Smith's political economy as depicted in

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[410] Younkin, *Champions of a Free Society*, 129.

[411] Augustine, *City of God*, XIX.25

[412] Ibid.

[413] Ibid., 26

WN. Two important concerns that will be useful for later discussion in this chapter, are Smith's treatment of government intervention in the economy and value measurement. Given the mercantilist view of political economy, which dominated in Europe from the sixteenth to the eighteenth centuries and emphasized the accumulation of wealth, particularly precious metals like gold and silver as a measure of national prosperity, and the maximization of a positive balance of trade which led to the promotion of policies aimed at increasing exports and limiting imports through tariffs and subsidies, Smith's advocacy for free trade and his critique of mercantilism marked a significant paradigm shift. Mercantilism advocated for strong government intervention in controlling economic activities and regulating commerce. Smith opposed this, arguing that wealth comes not from the mere accumulation of commodities, including gold and silver, but from the productive capacities of a nation's labor. He contended that barriers to trade—such as tariffs and subsidies—distort market operations and reduce the efficiency with which goods and services could be produced and exchanged. Smith therefore advocated for more freedom in trade and commerce, which he believed could enhance the prosperity of nations collectively, rather than at each other's expense. This challenged the zero-sum game perceived by mercantilism.

For these reasons, Smith is often hailed as the father of the "free-market economy." His strong advocacy for market freedom has led to a common misunderstanding of his ideas, portraying him as a proponent of unfettered individual egoism as the sole driver for societal direction and growth. However, Smith's views were more nuanced. Younkins notes that in Smith's system, the market is the aggregate of all exchanges of the production from all the

various industries and occupations. As an outcome, an unintended order emerges from such an economy, where individuals are free to find the most profitable use of labor or capital.[414]

This chapter aims to accomplish four primary objectives. First, it will examine Smith's concept of economic freedom and his criteria for measuring value. Second, the chapter will continue with tracing the history of economic thought, exploring the ideas of thinkers post-Smith and identifying the point at which the field became secularized. Third, it will scrutinize the rational choice and behavioral economic models, critiquing some of their foundational assumptions through the lens of the inside-out method in apologetics, as developed by Allen and Chatraw. Lastly, this chapter will propose an Augustinian choice model that reflects a more holistic and ethically informed approach to economic decision-making.

Section I:1 Freedom and Justice in Smith

By advocating against strict government intervention as mentioned above, Smith was displaying his conception of natural liberty, which is an application of natural law and natural justice doctrines to the phenomenon of exchange.[415] Mueller, as a result of this, accused Smith of eliminating the Scholastic distributive justice from economic considerations, and instead, restricting the meaning of justice to commutative justice or justice in exchange alone.[416] Mueller argued that Smith thought he could dispense with both rational theories of final distribution and utility as set forth by Augustine and the Scholastics by pointing instead to some sentiment or affection of the heart from which any action proceeds.[417] The result, according to Milbank, was the obliteration of Christian charity from the public sphere. Istvan Hont and Micheal Ignatieff

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[414] Younkins, *Champions of a Free Society*, 129.

[415] Ibid.

[416] Mueller, *Redeeming Economics*, 57

[417] Ibid., 54.

also argued that Smith's concept of justice viewed property rights in a much more absolutist manner, and thus did not allow for aid to the poor to be considered as a duty of the state.[418] The reason for this accusation is based on Smith's statement in TMS, where he noted that "beneficence is always free, it cannot be extorted by force."[419] However, Smith was not stating anything different from Augustine, Aquinas and the Scholastics here; they would not have rejected the notion that justice first develops in the human heart and is then moved by the will to desire what is right and just. Smith, like Augustine and Aquinas, also recognized that the affections had become malevolent as a result of the Fall, which introduced a complexity to human nature that necessitated the establishment of institutions to regulate justice. This brokenness did not diminish the inherent freedom humans were created with—the freedom to discern right from wrong. Consequently, humans remain free moral agents capable of judging actions as just or unjust. For Smith, making such judgments requires an approach that goes beyond mere observation. It demands that we place ourselves impartially into the perspectives of both the agent and the patient - the doer and the receiver of the action.[420] Aquinas noted this about justice: "…. it is requisite that one should have the will to observe justice at all times and in all cases."[421] So, Smith saw justice as directed by the will, simply echoing the very thinkers whose theories, he was accused of dispensing.

In Book V of WN, Smith explores the roles of the government—being sovereign over the commonwealth—as primarily focusing on justice and public institutions. Commutative justice,

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[418] Istvan Hont, and Michael Ignatieff. "Needs and Justice in the Wealth of Nations: An Introductory Essay." Chapter. In *Wealth and Virtue: The Shaping of Political Economy in the Scottish Enlightenment*, edited by Istvan Hont and Michael Ignatieff, 1–44. Cambridge: Cambridge University Press, 1983.

[419] Smith, *Theory of Moral Sentiments*, II.i.5.11

[420] Stephen Darwall, "Sympathetic Liberalism: Recent Work on Adam Smith." *Philosophy & Public Affairs* 28, no. 2 (1999): 139–64, 143. http://www.jstor.org/stable/2672821.

[421] Aquinas, *Summa Theologica*, II-II, 58.1

according to Smith, deals with the justice of exchanges and transactions between individuals, ensuring that parties fulfill their obligations and rights in a commercial trading relationship. The reason was to emphasize the importance of fairness in economic transactions to prevent injury and ensuring that each party receives what they are due. Here, Smith was simply referring to a commercial trade relationship and not how the entire society (e.g., familial relationships, friendships and so on) should be governed. Free trade according to Smith, requires some form of reciprocity.

Regarding distributive justice - not Aristotle's version that was based on merit - Smith followed in the tradition of the Scholastics. For Smith, the first duty of any government is to protect their society from the violence and invasion of other independent societies, the second duty is the redistribution of wealth. Wealth, for him, could be redistributed either by a direct transfer of property from the rich to the poor or by taxing the rich at a higher rate than the poor, to provide public resources that will benefit mostly the poor.[422] For example, Smith suggested that higher taxes should be levied on things such as luxury goods and even luxury vehicles, by noting that "the indolence and vanity of the rich can be made to contribute in a very easy manner to the relief of the poor."[423] He also advocated for public infrastructure such as roads and schools to meet the needs of the poor. The primary purpose of erecting and maintaining these public infrastructures was not to generate profit but to improve the condition of the poor. In contemporary terms, Smith clearly acknowledged the value of public investment in projects that the private sector might be unable or unwilling to undertake. He saw these public works as essential for societal welfare, ensuring that all segments of the population, particularly the less

[422] Fleischacker, *On Adam Smith's Wealth of Nations*, 205.

[423] Smith, *Wealth of Nations*, V.II.1 Article IV.

fortunate, had access to necessary services and infrastructure. In addition, Smith also suggested some form of government regulation of trade associations, first to discourage monopoly and also to make it a necessity that such associations enshrine care for the poor in their bylaws. He notes:

> People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices. It is impossible to prevent such meetings, by any law which either could be executed or would be consistent with liberty and justice. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies; much less render it necessary…. A regulation which enables those of the same trade to tax themselves in order to provide for the poor, the sick, widows and orphans, by giving them a common interest to manage, renders such assemblies necessary. An incorporation not only renders them necessary but makes the act of the majority binding upon the whole.[424]

The great enemy to Smith, as Robert Heilbroner noted, was not the government, as always insinuated about Smith, but monopoly in any form.[425] This is because for Smith, if companies or trade organizations are given the monopoly of trade, the public will be unable to enjoy the full benefits of free trade and labor specialization.

By advocating for limited government intervention in the market, Smith was not arguing for a market where the industrialists had unfettered freedom to do whatever they please and arbitrarily fix prices for profiteering, while blocking any government attempt to remedy the scandalous conditions of the economy. Instead, Smith was appealing to the exercise of natural liberties as a means of driving healthy competition that leads to societal welfare. As people pursue their individual self-interest in an environment of similarly motivated individuals, the outcome will be competition. This competition in turn will result in the provision of those goods that society wants, in the quantities that society desires, and at the price society is prepared to

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[424] Smith, *Wealth of Nations*, I.X.II

[425] Robert L. Heilbroner, *The Worldly Philosophers: The Lives, Times and Ideas of the Great Economic Thinkers* (New York: Touchstone, 1999), 69.

pay.[426] The advantage of competition for Smith, is that it serves as the check on selfish interests overtaking the market. According to him, a person who excessively pursues his own self-interest will face market challenges; competitors will seize the opportunity to capture his market share. If he overprices his goods, or if he underpays his workers compared to standard wages, he will soon find himself without customers in the former scenario and without employees in the latter.[427]

Smith here, seems to be referring to Augustine's "participationist ontology,"[428] where citizens are encouraged to unite around proximate objects of love in the earthly city, especially those goods that lead to public peace.[429] Applying this to the market, welfare or wellbeing becomes the common object of love and a selfish businessperson soon recognizes that by not aligning his self-interest to this common object and thus acting prudently, he becomes worse off. Man is a relational being. Even the most hedonistic person will still seek to have relationships, and thus to exercise a degree of self-command. As Augustine noted, even a miser, driven by an intrinsic desire for human connection, will occasionally depart from his solitary pursuit of wealth accumulation to engage with others. Augustine notes of the earthly city that "the better is the object of its love, the better the people, and the worse the object of its love, the worse the people."[430] Augustine like Smith, recognized that, in this present life, no one, no matter how they try, even pilgrims, are perfectly virtuous or perfectly vicious. Therefore, converging around

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[426] Ibid., 55.

[427] Smith, *Wealth of Nations*, Book I.VII and VIII

[428] Michael Lamb*, Commonwealth of Hope: Augustine's Political Thought*, 183

[429] Ibid., 183

[430] Augustine, *City of God*, XIX.24.

common interests or objects of love is what leads to the peace of a civic society (Augustine) and economic growth and prosperity (Smith).

Smith also identifies the idea that exercising natural liberties is what helps with this convergence. If people are overly restricted, like slaves, and are not allowed to freely pursue these common goods, the result will be the undue and unfair domination of one class of people over another. Smith here is appealing to Augustine's theory of free will. Humans have been created with the ability to choose freely, and even though that ability has been tainted by sin, it nonetheless remains. Limited government, as advocated by Smith, functions to ensure that government officials promote general welfare in their actions rather than being irresponsible, unproductive, spendthrift and intoxicated with power. In this way, a love of liberty and societal welfare becomes the object of love. In Smith's words, this is "self-love."[431] Fleischacker notes that Smith's self-love becomes directed towards our capacity to be other-directed—being aware of other people's needs and feelings—thus creating the convergence Lamb identifies.[432]

Since it is impossible to describe a person as either perfectly virtuous or perfectly vicious, it safe to say, according to Lamb, that humans in the earthly city, walk along a continuum of morality. Lamb thinks recognizing this is important for an Augustinian hope, because it serves as a check on people's tendencies to be prideful, disrupts temptations toward presumption, and prevents one from acting complacently toward important political goods.[433] This gradation or moral continuum, according to McCloskey, calls us to treat our neighbor as ourselves, which requires an imaginative leap. Smith identifies one who undertakes this leap the *impartial*

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[431] Lamb, *Commonwealth of Hope*, 194.

[432] Samuel Fleischacker, "Talking to My Butcher: Self-Interest, Exchange, and Freedom in the Wealth of Nations." Chapter. *In Interpreting Adam Smith: Critical Essays*, edited by Paul Sagar, 62–76 (Cambridge: Cambridge University Press, 2023), 64.

[433] Lamb, *Commonwealth of Hope*, 195.

spectator.[434] Therefore, even though a person might not have the higher virtues of love, hope and faith, they will possess prudence, a lower virtue, but counted good in both men and women. This prudence, McCloskey noted, is what is referred to as "maximization" in modern economics, even though most modern economists will dispute this.[435]

Section I:2 Labor Specialization and Wealth Accumulation in Smith

By exercising natural liberties and the virtue of prudence, labor specialization is encouraged, which in turn boosts competition and trade among nations. For Smith, this process ensures that no single nation can exert undue dominance over others. Labor specialization and increased trade leads to the creation of more industries to meet the growing demands of commerce, which in turn results in higher wages and an overall increase in general welfare. Consequently, for Smith, labor becomes the primary measure of value in an economy. The division of labor significantly enhances productivity, as each worker becomes more skilled and efficient in their specific task. In a well-governed society free from excessive government intervention, this increase in productivity leads to widespread prosperity, extending even to the lowest ranks of society. Smith argues that this universal opulence, or general plenty, naturally diffuses itself throughout all levels of society, raising the standard of living for everyone. Thus, the emphasis on labor specialization not only promotes economic growth but also ensures that the benefits of this growth are broadly shared, contributing to the overall well-being and stability of the nation.

When Scripture commands to love your neighbor as yourself, it implies both a direct and an indirect act of benevolence. That is, while we are to help the poor and needy directly, we are

[434] McCloskey, "Avarice, Prudence and the Bourgeois Virtues," 317.

[435] Ibid., 318.

also to be prudent in the pursuit of our own desires, even though they are meant for our own wellbeing. By doing so, our neighbors indirectly benefit from our work as well. This is the kind of self-interest Smith is referring to, not the Mandevillian kind, where people are motivated exclusively by their self-interest, or the Hobbesian kind, where pure self-interest is the motivation for a contract. Smith notes that the division of labor from which several benefits can be derived is not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion, as Hobbesian theory would argue. Rather, this division stems from the original principles in human nature.[436] Fleischacker notes that while it is not surprising when people jointly pursue an activity where the tie between them is one of instinct, affection, duty, or fear, it becomes surprising when that joint pursuit is possible even without such bonds.[437] The only explanation for this is what Smith noted—human nature is relational. Using the analogy of animals, who act jointly based on instinct or affection, Smith argues, "When an animal wants to obtain something either of a man or of another animal, it has no other means of persuasion but to gain the favor of those whose service it requires."[438] But in other cases, animals with no instinctual bonds may seem to be cooperating towards achieving a common goal. As an example, Smith states, "Two greyhounds, in running down the same hare, have sometimes the same appearance of acting in some concert. Each turns her (the hare) towards his companion…. This however, is not the effect of any contract, but the accidental concurrence of their passions in the same object at that particular time."[439] Smith further pointed out that, "In almost every race of animals, each individual, when it is grown up to maturity, is

[436] Smith, *Wealth of Nations*, Book I.2, 11.

[437] Fleischacker, "Talking to My Butcher," 63.

[438] Smith, *Wealth of Nation*, Book I.2, 11.

[439] Ibid.

entirely independent, and in its natural state has occasion for the assistance of no other living creature. But man has almost constant occasion for the help of his brethren."[440] What marks us distinctively as humans, as Smith is showing, is a matter of cognition and not motivation. However, Smith never gave further explanation for why humans act differently from animals, even though he had shown that sometimes, animals act in accidental cooperation. He states instead:

> Whether this propensity be one of those original principles in human nature, of which no further account can be given, or whether, as seems probable, it be the necessary consequence of the faculties of reason and speech, it belongs not to our present subject to enquire.[441]

Augustine helps provide an explanation. He notes that this instinct is found in no other mortal animals but man, and while some animals may possess higher forms of cognition, "they cannot attain to the incorporeal light by which our mind is somehow irradiated, so that we are able to form right judgment about all these things (why we need each other)."[442] Humans, according to Augustine, have a far superior sense by which they can discern "what things are just and what unjust—just by virtue of an intelligible exemplar, unjust by privation of that exemplar."[443] Based on this moral sense, which animals do not possess, man is able to discern that he needs to work together with his fellow man in order to improve life for each other.

Consequently, the division of labor not only increases output per worker but also leads to general opulence. As a result of this, Smith advocated that labor be the standard measurement for the value of a commodity, rather than the utility derived from the use of that commodity. The

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[440] Ibid., 12.

[441] Smith, *Wealth of Nations*, Book I.2, 11.

[442] Augustine, *City of God*, XI.27. Parentheses added.

[443] Ibid.

value derived from the use of a commodity can be subjective, according to Smith, and vary greatly among individuals. In contrast, labor as a measure of value provides a universal standard, as it accounts for the effort and time invested in production. Smith notes:

> The word VALUE, it is to be observed, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called "value in use;" the other, "value in exchange." The things which have the greatest value in use have frequently little or no value in exchange; and on the contrary, those which have the greatest value in exchange have frequently little or no value in use…. But after the division of labor once thoroughly taken place, it is but a very small part these with which a man's own labor can supply him. The far greater part of them he must derive from the labor of other people, and he must be rich or poor according to the quantity that labor which he can command, or which he can afford purchase…. Labor, therefore, is the real measure of the exchangeable value of all commodities. The real price of everything, what everything really costs to the man who wants to acquire it, is the toil and trouble of acquiring it.[444]

For Smith, the quantity of labor put into the production of a commodity determines its real price. Similarly, a person's labor also determines the quantity of such commodities they can purchase.

Later thinkers criticized Smith for adopting labor as the real measure of value whilst neglecting the role of land (rent) and capital. By making labor the measure of value, Mueller accused Smith of doing to moral philosophy what Isaac Newton did for the natural science – reducing all phenomena to a single familiar principle, like gravity.[445] He goes on to note that Smith's moral Newtonianism, induced him to oversimplify the economic theory he had inherited from the Scholastic doctors, by attempting to explain all economic behavior by the single principle of labor.[446] The resultant effect of this act, according to Mueller, was the elimination of Augustine's utility theory and personal distribution theory from economics. According to Mueller, "Augustine's theory of personal distribution seeks to answer the following question:

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[444] Smith, *Wealth of Nations*, Book I.4 and 5, 25-26.

[445] Mueller, *Redeeming Economics*, 51.

[446] Ibid., 53.

once I have acquired wealth through production and/or exchange, to whom do I devote its use? Myself only, or do I share it with others, and in what proportion?"[447] Mueller goes on to note that "Aristotle pointed out that what makes different goods similar enough to compare and exchange is their usefulness in satisfying human needs," while "Augustine described the way in which we compare and choose among goods."[448] By reducing behavior to the single principle of labor, Mueller concludes that Smith eliminated moral considerations from economic theory.

Mueller does not seem to have a problem with wealth accumulation; he is concerned chiefly with the distribution of such wealth. However, Smith has been accused by several critics for promoting greed. For example, prominent thinkers like Karl Marx, John Ruskin, R.H. Tawney, and John Maynard Keynes, to mention a few, all accused Smith of promoting greed due to his stance on wealth accumulation and his emphasis on self-interest as a driving force in economic activity. Marx for example, critiqued Smith's capitalist framework, arguing that his focus on self-interest and capital accumulation led to the exploitation and alienation of the working class. He argued that the capitalist system, which Smith helped theorize, was inherently exploitative and driven by greed.[449] Ruskin, argued that economists like Smith encouraged materialism and greed, thus undermining moral and social values. According to him, the pursuit of wealth corrupts society and distracts people from more meaningful human pursuits.[450] Tawney, in his *Religion and the Rise of Capitalism,* critiqued the moral underpinnings of capitalist thought, including Smith's emphasis on self-interest. He argued that this focus on

[447] Ibid., 56

[448] Ibid., 58-9.

[449] See Seungsoo Lim, *Karl Marx's Das Kapital Explained* (New York: Algora Publishing, 2020). ProQuest Ebook Central.

[450] See John Ruskin, *Unto this Last Day: And Other Essays on Political Economy* (London: Ward, Lock & Co., 1912).

economic gain led to a neglect of communal and ethical considerations.[451] Even though Keynes had a high regard for Smith's contributions to economics, he yet criticized the laissez-faire economics derived from Smith's work, arguing that it led to excessive accumulation of wealth by the few and failed to address broader social good.[452] Most critics, particularly those influenced by Marxist thought, argue that by adopting labor as the main measure of value and emphasizing capital accumulation, Smith's theories can be interpreted as contributing to conditions where employers might exploit workers to maximize wealth.

These views fail to fully encapsulate Smith's broader intentions and considerations regarding fair wages and the overall benefits of economic growth. In a later section in this chapter, this study will return to Smith's labor theory as a measure of value, but for now, it will address the allegations levied on Smith discussed above. Smith distinguishes between productive and unproductive labor. According to him, there are certain aspects of labor that are unproductive in the sense that they do not contribute to an increase in a nation's income; instead, they take away from it. Nevertheless, such means of labor are essential to the survival and stability of the nation, the military being an example. Productive labor, on the other hand, consists of such activities that lead to growth in the wealth and prosperity of a nation. These activities are necessary for the general opulence of society. However, to achieve this general welfare, capital needs to be replaced, and to do so requires wealth accumulation, either in form of reinvesting or savings (lending savings for an interest). Smith notes: "Wherever capital predominates, industry prevails…. Every increase or diminution of capital, therefore, naturally

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[451] R.H. Tawney, *Religion and the Rise of Capitalism* (New York: Verso Books, 2015). ProQuest Ebook Central

[452] See John Maynard Keynes, *The General Theory of Employment, Interest and Money* (Harcourt, Brace, 1936).

tends to increase or diminish the real quantity of industry, the number of productive hands and consequently, the exchangeable value of the annual produce of the land and labor of a country, the real wealth and revenue of all inhabitants."[453]

Smith's advocacy for wealth accumulation was not an approval for accumulation for accumulation's sake. Indeed, he was a philosopher who had a disdain for the vanities that accompanied excessive pursuit of wealth. In TMS, Smith noted that the while the poor man might imagine the rich as great and "happier than other people … and make that the principal source of his admiration, but in the languor of disease and the weariness of old age, the pleasures of the vain and empty distinctions of greatness disappear."[454] Smith goes on to note that while the wealth of a rich man may "save him from smaller inconveniences, they leave him always as much and sometimes more exposed than before to anxiety, fear and sorrow."[455] But God (called Providence by Smith), even though he had divided the world in such as way that some are wealthier than other, has neither forgotten or abandoned those "who seem to have been left out in the partition." This is because for Smith, "what constitutes the real happiness of human life, are in no respect inferior to those who would seem so much above them."[456] Therefore, wealth accumulation for Smith, was not about "laying out money on trinkets and frivolous utility,"[457] which people sometime ruin themselves because of, but about "seeking out the means of promoting the happiness of society."[458] Even when employment of labor by the rich is to satisfy their own insatiable desires, notes Smith, "they still have to divide with the poor the produce of

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[453] Smith, *Wealth of Nations,* Book II.3

[454] Smith, *Theory of Moral Sentiments,* IV.I.8.

[455] Ibid.

[456] Ibid., IV.I.10.

[457] Ibid., IV.I.6

[458] Ibid., IV.I.11.

all their improvements."[459] This is because, according to Smith, the 'invisible hand,' leads them to distribute such necessities of life.[460] For Smith therefore, certain natural principles, when supported by an appropriate institutional environment, have the capacity to foster social harmony even as individuals pursue their personal interests. This harmonious outcome is facilitated by the mechanisms of sympathy and the impartial spectator.

Augustine articulates a similar concept within the framework of love, The reason for Smith's 'invisible hand' according to Augustine will therefore be because "we love partly those to whom we render services, partly those who render services to us, partly those who both help us in our need and in turn are helped by us, partly those upon whom we confer no advantage and from whom we look for none."[461] For Augustine therefore, every aspect of human (including economic) behavior is fundamentally driven by love, even when it might not seem apparent. In the case of Smith's rich man, who is motivated by the satisfaction of his own desires, Augustine would argue that this individual still demonstrates a form of love towards his workers. By paying wages for their labor, the wealthy man distributes part of his wealth, acknowledging the valuable services his workers provide in helping him meet his needs. This act of compensation, though self-interested, reflects an underlying recognition and appreciation of the workers' contributions.

Joshua Nunziato interprets this Augustinian principle as sacrifice. According to him, sacrifice is a work of parting, and the life we live in is inherently sacrificial. All economic exchange therefore involves parting with things that we value[462] - in the case of Smith's rich

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[459] Ibid., IV.I.10

[460] Ibid.

[461] *Augustine: On Christian Doctrine and Selected Introductory Works*, edited by Timothy George (B&H Publishing Group, 2022), Book I.29. ProQuest Ebook Central.

[462] Joshua S. Nunziato, *Augustine and the Economy of Sacrifice*: Ancient and Modern Perspectives (Cambridge: Cambridge University Press, 2019), 1.

man, he parts with a portion of his wealth by paying the worker, while the worker in exchange, parts with his time, to meet the needs of the rich man. Nunziato posits that an understanding of our economic behavior as sacrifices have a lot to teach us about ourselves and our corporate life which helps us realign our economic culture to better acknowledge our reality.[463]

This *optimistic teleology*,[464] which was expounded by Augustine and expanded by Aquinas and the Scholastics, was upheld by Smith. In this framework, divine instructions were perceived as the primary guiding force for the operation of the world and its affairs. However, this perspective experienced a significant, though not sudden, shift with the advent of Smith's writing. Protestant natural law theorists such as Grotius, Pufendorf and Hutcheson (as discussed in chapters 2 and 3 of this study), had rendered God's role in the formulation of the above framework less prominent. Grotius and Pufendorf for example assigned right reasoning as a dictate of the law of nature. Hutcheson's idea of natural law was driven by an innate moral sense that is directed towards happiness and led by the principle of sympathy. O'Brien notes that even though Hutcheson's natural law frequently made references to God, it was a secular one, developed from the works of Grotius and Pufendorf.[465] Hume significantly advanced the secularization of economic thought by asserting that social instincts are an inherent aspect of human nature which lies beyond the jurisdiction of the Church and biblical teachings. Milbank notes that rather than referring the moral to a hierarchy of true goals for genuine human fulfillment, Hume based the moral in something specifically pre-moral, natural and sub-rational – our common animal inclinations and aversions, and our ability to place ourselves imaginatively

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[463] Ibid.

[464] As D.P. O'Brien describes it in *The Classical Economists Revisited* (Princeton University Press, 2004), 28.

[465] Ibid., 29.

in the positions of others.[466] This moral philosophy, Milbank continues, does not permit public laws and institutions to be considered under the heading of common goals of virtue, but instead construes them only in terms of their empirically observable effects on individuals, once they are in place.[467] This is because for Hume, institutions have the ability to truncate on individuals' imaginations and promote a forced kind of virtue.

Section II:1 The De-ethicization of Political Economy: The Invention of Autonomy

As discussed in Chapter 3 of this study and the preceding section, Smith maintained that moral reflection is essential in social organization and cannot be fully explained by naturalistic reasoning alone. Milbank, despite his criticisms of Smith, acknowledges that within the framework of natural theology, Smith's concept of labor division can be viewed as both a natural and providential mechanism, fostering social connectivity and cohesion.[468] Consequently, labor specialization did more than just facilitate national prosperity; it also revealed how production and exchange processes might reflect a divinely orchestrated social order within the inherent design of nature. However, Milbank notes that social explanations in terms of design, while appearing to be an alternative to the contractualists' interpretations of the social whole, still remain basically individualistic.[469]

If one interprets Smith's ordering of society as solely based on self-interest, then Milbank's submission here might be valid. However, as has already been demonstrated, Smith's conceptualization of social dynamics extends beyond mere self-interest. His theories incorporate

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[466] Milbank, *Theology and Social Theory*, 29.

[467] Ibid.

[468] Milbank, *Theology and Social Theory*, 39.

[469] Ibid., 41.

a nuanced understanding of human behavior that includes moral sentiments and the role of the impartial spectator, which guide individuals towards actions that benefit the broader society.

However, Smith's successors, David Ricardo, Thomas Malthus, Jean Baptist Say, John Stuart Mill, Jeremy Bentham (discussed in chapter 3), and others, thought differently. The *optimistic teleology* of Smith gave way to a pessimistic view of society. While society for Smith was a great family, as observed by Heilbroner, to Ricardo, for example, it was an internally divided camp, with industrialists and landowners always at loggerheads.[470] While Europe had experienced increase in production, which was further fueled by the Industrial Revolution, concerns about income distribution and rising poverty dominated the period from 1725 to 1825.[471] It was therefore difficult to see the kind of prosperity and progress Smith had predicted as stemming from labor specialization. This section will not delve into a detailed analysis of all the economic theories attributed to the aforementioned thinker. Instead, it will focus on examining the methodologies they employed in addressing economic phenomena and the subsequent impact these methods had on moral reflection in economic discourse.

Expanding on Smith's theory of labor, David Ricardo developed further insights that both complemented and refined Smith's original ideas. He introduced the concept of the "labor theory of value," which posits that the value of a good is fundamentally determined by the total amount of socially necessary labor required to produce it. It is worthy to note that while this theory was a cornerstone of Ricardo's economic framework and played a crucial role in his analysis of distribution and price, the idea that labor is the source of all value can be traced all the way back

[470] Heilbroner, *The Worldly Philosophers*, 81.

[471] Halteman and Noell, *Reckoning with Markets*, 95.

to Luther and Calvin in the sixteenth century.[472] Ricardo also introduced the principle of comparative advantage, which extends Smith's ideas on the division of labor and specialization. While Smith focused on the benefits of specialization within a nation, Ricardo expanded this to international trade, demonstrating how countries can benefit from trade even if one nation is less efficient in the production of all goods, as long as they specialize in goods where they have a comparative advantage. Unlike Smith, who had envisioned a future of continuous economic growth and prosperity, Ricardo saw progress as having different effects on different economic classes. That is, while some economic classes would benefit immensely from this progress, others would be made worse-off. The landowners were driven by greed, thus leading to a hike in the prices of grains, thus making them the only class that could benefit from progress unless their hold on the prices of grain was broken.[473]

On the one hand, Smith had envisaged that by continuous growth in industries, labor would attract higher wages that would in turn lead to a population increase, since people would be more financially comfortable and thus more able to consider children. This would in turn lead to an increase in the labor force. Ricardo, on the other hand, argued that "the power of the laborer to support himself, and the family which may be necessary to keep up the number of laborers, does not depend on the quantity of money, which he may receive for wages; but on the quantity of food, necessaries, and conveniences become essential to him from habit, which that money will purchase."[474] In the absence of a break in the hold of the landowners on food prices,

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[472] Recall the examination of the contribution of the Reformers to economic thought in chapter 2 of this study. O'Brien, *The Economic Effects of the Reformation*, 107.

[473] Heilbroner, *The Worldly Philosophers*, 83.

[474] David Ricardo. "On Wages." Chapter. In *On the Principles of Political Economy, and Taxation*, 90–115 Cambridge Library Collection - British and Irish History, 19th Century (Cambridge: Cambridge University Press, 2015), 90.

therefore, the other best way to ensure welfare for all was to decrease demand by decreasing fertility and overpopulation.

Ricardo was not alone in this judgment. Thomas Malthus painted a gloomier picture than Ricardo. Malthus assigned primary causal efficacy to the fertility of land. Based on this, he predicted that while food supply increased arithmetically, population was growing in a geometrical progression. He states:

> Population, when unchecked, increases in a geometrical ratio. Subsistence increases only in an arithmetical ratio. A slight acquaintance with numbers will shew the immensity of the first power in comparison of the second. By that law of our nature which makes food necessary to the life of man, the effects of these two unequal powers must be kept equal. This implies a strong and constantly operating check on population from the difficulty of subsistence. This difficulty must fall somewhere; and must necessarily be severely felt by a large portion of mankind.[475]

For both Ricardo and Malthus, therefore, the ultimate determination of wealth lay solely in the ratio of food to population and the possibility of reproducing labor power.[476] Milbank notes that while it is difficult to ascertain what accounted for Malthus' sort of 'epistemic switch,' the new political economy of both theorists justified further restrictions on poor-relief and instead, encouraged wealth accumulation.[477] Moreover, for both theorists, human engagement with nature, according to Milbank, did not happen in the sphere of representation and classification, but in direct participation in processes of growth and physical transformation.[478] What this implied, according to Halteman and Noell, was that progress and economic growth alone were seen as sufficient moral justifications for an economic system. Consequently, economic systems

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[475]Thomas Robert Malthus, *An Essay on the Principle of Population: Or, A View of Its Past and Present Effects on Human Happiness; with an Inquiry into Our Prospects Respecting the Future Removal or Mitigation of the Evils Which It Occasions*. Sixth edition., (J. Murray, 2008), Ch. 1.

[476] Milbank, *Theology and Social Theory*, 44.

[477] Ibid.

[478] Ibid.

were viewed as self-sustaining and lacking the need for intervention, whether from policymakers or moralists.[479] Poverty was no longer viewed as an act of God or even the result of the indifference of man, but rather as a phenomenon in the natural order. Milbank puts it this way:

> In the 'neo-pagan' (Smith and co.) version of political economy there takes place not so much a de-ethicization, as an identification of virtue with Machiavellian virtue. In the theologically 'heterodox' version (Malthus and co.), by contrast, there is more of a de-ethicization, because the transcendent is not invoked in order to secure the metaphysical objectivity of social choice, nor an immanent teleology, but rather to account for the social whole and to 'justify' the prevalence of individual social ills. Instead of these ills being accounted for in the terms of traditional dogmatic theology, as the result of human free-will and human fallenness, they now belong with 'natural ills' among the given data of natural order and must be accounted for in terms of a theodicy.[480]

The political economy of Malthus and Ricardo, by eliminating the transcendent from its thought, became more indifferent to questions of immediate neighborly responsibility to the poor. This ethical indifference according to Milbank, proceeded with "yet greater justificatory contortions."[481] What followed for economic thought, Milbank notes, was the permission of ideological conjecture between natural theology and specifically 'evangelical' virtues appealing more to self-development rather than to social concerns.[482] Hard work and being frugal were thus considered forms of virtue by Malthusians, and this notion was popularized by evangelical clergymen such as John Sumner and Thomas Chalmers. By these marks, O'Brien noted, the elect and justified could be distinguished, and by such conduct could the Christian glorify God, and prove the fact of his own redemption.[483] Weber referred to this as an "intra-mundane or this worldly asceticism.'[484] Milbank, however, notes that, the intra-mundane asceticism uncovered by

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[479] Halteman and Noell, *Reckoning with Markets*, 94.

[480] Milbank, *Theology and Social Theory*, 43.

[481] Ibid.

[482] Ibid.

[483] O'Brien, *The Economic Effects of the Reformation*, 83.

[484] Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, Student's edition, (Scribner, 1958).

Weber could never have been sufficient for the deliberate promotion of a market economy and wage-earning dependence, because both Calvin and the seventeenth-century Puritans assigned eschatological value to wealth, which was still in line with the traditional notions of the 'common good.'[485]

What Chalmers did, following Malthus, was to combine the themes of theodicy with the idea of a spiritual training of the elect, by considering specifically Christian virtues of sexual continence, sobriety, punctiliousness, and discipline.[486] Consequently, economic theodicy became intertwined with a form of evangelicalism that emphasized a narrow, individualistic practical reason. This approach largely disregards the broad, generous contemplation of God and the world, focusing instead on strictly interpreted, revealed data. According to Milbank, this development in political economy did not lead to an emancipated secular science focused solely on the formal aspects of economic relations, devoid of moral considerations. Instead, it led to the conceptualization and construction of an amoral formal mechanism. This mechanism not only established but also maintained and regulated the secular realm. Therefore, it can be seen as a redefinition of Christian virtue, transforming it to fit a new, secular context.[487]

In regard to methods, the earlier classical economists (Hume, Smith, etc.) were more concerned about grounding their social and economic generalizations on firm historical facts rather than abstract speculations and conjectures. Their methods can therefore be described as inductive. However, the later classicals (Ricardo, Malthus, etc.) adopted hypothetical premises and deduced conclusions from these premises. As a result, political economy evolved into what is now known as economics, characterized by a methodology shaped by deductive rationality,

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[485] Milbank, *Theology and Social Theory*, 46-7

[486] Ibid.

[487] Ibid., 47.

mathematics, and a clear distinction between positive and normative analysis. Unlike the mental models and mathematical theorems of Pythagoras, Aristoxen, and Parmenides (examined in chapter 2), the approach of the later classicals was opposed to verification. Once a conclusion was reached from plausible premises, it was to be accepted, irrespective of whatever the available data said. On the other hand, John Stuart Mill was careful not to divorce moral reflections from economics. Instead, he argued that as progress is made, enlightened self-interest and interest in the common good will begin to evolve within the system, thus leading to moral reflections, contrary to what the "Iron Law of Wages"[488] had predicted.[489] Opposing Ricardo and Malthus' pessimistic view with an optimistic one, Mill argued that irrespective of the movement in population and capital, there will come a stationary state (a state of equilibrium) where happiness and flourishing will be attained. That is, subsistence will rise, but limits to population growth would be desirable to make this happen. However, this interest in the common good did not gain substantial traction because classical economics had evolved into a more scientific and rational discipline, which ultimately left little room for the moral reflections that Mill had envisioned. In addition, Mill was influenced by Auguste Comte's philosophical approach known as *Positivism*. Comte's philosophy had aimed at establishing a scientific basis for societal development. His Positivism advocated for the application of scientific methods and empirical data to all fields of inquiry, including social sciences. This approach effectively obliterated traditional considerations of virtue and moral judgment by treating social phenomena with the

[488] The "Iron Law of Wages" was a significant concept in classical economics that emphasized the tendency of wages to stabilize at the subsistence level due to natural economic forces. It was expounded by Malthus and Ricardo. Its predictive failure resulted to a modification in the assumptions of classical economics in the nineteenth and twentieth century.

[489] Halteman and Noell, *Reckoning with Markets*, 97.

same objective scrutiny as natural sciences. Mill therefore grappled with integrating rigorous empirical analysis with the humanistic and moral elements of political and social philosophy.

While some classical economics were focused on the production side of economics, Jeremy Bentham (already discussed in chapter 3) shifted focus from the production side of economics (as held by Smith and modified by Ricardo) to the demand side. Bentham, synthesizing the ideas of Hobbes, Hume and Mandeville, argued that the demand side of the market was inherently structured by natural forces and, therefore, did not require moral reflection. For Bentham, the process of ethically distinguishing between good and bad in market behaviors was deemed irrelevant. Instead, he focused on the outcomes of actions, suggesting that the utility—the greatest happiness produced by these actions—was the principal measure of their worth. This utilitarian perspective posited that if market operations led to the greatest good for the greatest number of people, they were justified, regardless of the individual intentions or moral considerations involved. This approach radically shifted the ethical focus from the nature of actions themselves to the consequences they produced, promoting a pragmatic view of economics and ethics that prioritized results over inherent moral values. With the "felicific or utility calculus," Bentham assumed that each experience of pleasure or pain had a certain quantity of intrinsic value which can be measured mathematically.[490] Bentham's theory can be described as a form of mechanistic psychology, which views society as merely an aggregate of individuals, lacking intrinsic moral connections and thereby overlooking deeper moral and communal bonds that might influence behavior. Yet his concept of "the greatest happiness for the greatest number" inherently requires individuals to consider the happiness of others, not just

[490]Steven Sverdlik, *Bentham's an Introduction to the Principles of Morals and Legislation: A Guide* (Oxford University Press, Incorporated, 2023), 70-84. ProQuest eBook Central,

their own. What this shows is that despite attempts by various thinkers to distance economics from ethical considerations, the inherently relational nature of humans continually draws moral reflections back into economic discussions. This is because economic decisions invariably affect relationships and community dynamics, which are deeply intertwined with ethical values.

Rejecting Smith's and the others' labor theory of value, Jean Baptist Say, the pioneer of free-market economics in France and Europe in general and a student of Smith, argued for value to be based on utility. Say's approach to utility theory diverged significantly from that of Bentham because he emphasized that natural law underpins economic behavior, lending it order, predictability, and universality. Unlike Bentham, who focused on a more utilitarian framework involving the calculation of pleasure and pain, Say was skeptical of relying solely on empirical data and the accumulation of mathematical and statistical facts without connecting them to broader theoretical and real-world contexts. Instead, Say prioritized the observation of economic realities as they naturally occurred, advocating for a more holistic understanding of economics that integrates empirical observations with theoretical principles. Younkins notes that Say's economic method was that of an essentialist and realist.[491] Utility, for Say, was the ability of a good or service to meet human desire. While production/supply still remained the source of consumption, and therefore was placed over demand in the hierarchy of economics, Say still maintained a subjective utility theory. Like Aristotle, Augustine and Aquinas, he differentiated between value in use and value in exchange, but wrongly concluded like Aristotle, that all exchanges must involve the exchange of equal values.[492] Nonetheless, his law of market—Say's

[491] Younkins, *Champions of a Free Society*, 138.

[492] Ibid., 139.

Law—according to Younkins, was considered the broadest, most powerful and most fundamental conceptual integration in the discipline of economics.[493]

Karl Marx critiqued the ideas of his predecessors, including those of Say and others in the classical school. Several problems plagued capitalism in its early history. With the Industrial Revolution and the displacement of farmers and peasants from rural areas, the industrial cities became congested, and these peasants and farmers marked the beginning of a new labor class referred to as the "proletariat." This resulted in poor living conditions, harsh working conditions, exploitation of workers, child labor, environmental degradation and pollution, and a lack of workers' rights. The new emphasis on economic freedom and absolute property rights prevented any form of government intervention, leaving little hope for improving the conditions of the poor.

To provide some ray of hope, Georg W.F. Hegel speculated that these conditions were an unavoidable temporary phase in the development of a new society. As a Lutheran, Hegel referred to this new painful phase in history as a "higher phase," leading towards a beautiful outcome.[494] This "higher phase" he referred to as "universal egoism," wherein every individual is driven by self-interest. That phase would be the prelude to a new synthesis, "universal altruism."[495] To attain this "universal altruism," however, would involve the movement of the will from subjective will (wherein we consider ourselves isolated from community) towards 'ethical actuality' within an objective standpoint (wherein we consider ourselves in our full reality as members of a community).[496]

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[493] Ibid., 141-46.

[494] Goudzwaard and Bartholomew, *Beyond the Modern Age*, 38-39.

[495] Ibid., 39.

[496] Thom Brooks, *Hegel's Political Philosophy: A Systematic Reading of the Philosophy of Right* (Edinburgh University Press, 2009), 52-61.

With Hegel's philosophy offering little comfort, Marx adopted Hegel's dialectical method, not to explain changing attitudes but to predict a revolutionary transformation of society. Marx envisioned a future where the oppressed would rise to power, and private property would be replaced by communal ownership. O'Brien, however, observes that socialism had failed because it was colored by some of the characteristics of the capitalist systems it attacked.[497] Unlike the Communism of the Middle Ages, which was world-denying, modern scientific socialism, according to O'Brien, had instead imbibed much of the avaricious, self-seeking capitalist spirit it aimed to displace.[498]

Herbert Spencer, in his rejection of Marxism, argued that well-being thrives in societies governed by moral principles, where equal freedom serves as the ultimate foundation of justice. According to Spencer, moral rights to life and liberty are essential prerequisites for happiness. He argued that while humans are incapable of knowing the nature of reality, they can know that the real exists. This knowledge of the phenomenal is all that is needed for decision making. Like Locke, Spencer argued that this knowledge is not innate, but produced by external forces. Our knowledge about reality is thus contingent upon a gradual accumulation of knowledge through empirical observation. Once the relationship between one's mental states and objective reality is consistent, persistent, and invariable, Spencer argued, then a person has justified beliefs.[499] With an epistemology grounded in a form of "evolutionary positivism," Spencer emphasized that reason is an adaptive mechanism, a means of promoting a person's life-sustaining activities. Therefore, if habitually repeated, life-affirming actions will, in the long-run generate feelings of pleasure, and life-negating actions will generate feelings of pain. Since life and happiness are the

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[497] O'Brien, *The Economic Effects of the Reformation*, 107.

[498] Ibid.

[499] Younkins, *Champions of a Free Society*, 150.

proper end of human actions, Spencer observes, an individual can attain this happiness if permitted to express his right of freedom to do all his faculties drive him to do.[500] Younkin's law of equal freedom states that every individual has the freedom to do as he wills, as long as he does not infringe upon the equal freedom of any other person.[501] Furthermore, Spencer argues that, given adequate room to make decisions, individuals learn the value of freedom and equal rights.[502]

Spencer's evolutionary positivism, though flawed, echoes some Augustinian ideas. Augustine would agree that humans do not possess perfect knowledge of the nature of reality, though they can know certain fundamental truths—truths such as "I exist," and "I know I exist," Moreover, Augustine does affirm that over time, actions generate feelings of pleasure and pain. However, unlike Spencer, Augustine asserts that we know we exist because God has endowed us with rational minds capable of comprehending reality. According to Augustine, in our infancy, reason and intelligence are dormant; they are present but not yet active. As we grow older, these faculties awaken and develop, making us capable of knowledge and learning, and enabling us to perceive truth and love the good.[503] Thanks to this capacity, Augustine argues, the mind can thus "drink in wisdom and be endowed with the virtues – prudence, fortitude, temperance and justice – to fight against errors and against the implanted vices….desiring nothing but the supreme and immutable good."[504] The freedom Spencer advocates for can only lead to an aggrandizement of power and the manipulation of the will and desire since as William Cavanaugh notes, it is merely

[500] Ibid, 150-52.

[501] Ibid., 153.

[502] Ibid.

[503] Ibid., XXII.24

[504] Ibid.

directed towards happiness in this life. In contrast, Augustine's freedom is such that requires an account of the end of human life and the destination of creation.[505] With an improvement in the conditions of the English proletariat, Marx's prediction of an impending doom appeared premature. Spencer's evolutionary positivism provided a philosophical backdrop that resonated with the scientific and analytical rigor of the marginal revolution of William Stanley Jevons, Carl Menger and Leon Walras. By introducing new concepts such as marginal utility and equilibrium analysis, classical economics experienced a significant transformation. The two most prolonged controversies that all thinkers from Ricardo onward had been trying to understand were the determination of what constitutes value and the problem of general glut in the economic system.

Jevons, Menger, and Walras shifted the focus of economics away from moral considerations. They instead emphasized instead the concept of marginal utility,[506] which they analyzed using mathematical tools. For instance, Menger's concept of marginal utility dispensed of Bentham's cardinal utility ranking, implied an ordinal ranking of utility, rather than the first derivative of some idea of total utility.[507] Walras, explored the idea of equilibrium, which is the state the market naturally gravitates towards as individuals, each seeking to maximize their utility, interact with one another. For him, the fundamental economic phenomenon was the exchange of scarce, useful goods among freely competing parties. Lionel Robbins would later define economics as "the science which studies human behavior as a relationship between ends and scarce means which have alternative uses."[508]

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[505] William T. Cavanaugh, *Being Consumed: Economics and Christian Desire* (Grand Rapids, MI: Eerdmans, 2008), 2.

[506] They introduced and developed the concept of marginal utility, which measures the additional satisfaction (utility) gained from consuming one more unit of a good or service.

[507] Younkins, *Champions of a Free Society*, 160.

[508] Lionel Robins, *An Essay on the Nature and Significance of Economic Science* (Auburn, Alabama: Mises Institute, 2007), 15.

For the purpose of carving out the domain of purely economic research, Schumpeter noted that the marginal revolutionists had to isolate relevant factors and abstract from others faultlessly.[509] The issue here however is that, in projecting economic growth, it is impossible to separate the economic world from political and psychological tendencies. Heilbroner notes that this basic conception that was lacking in the new concentration on equilibrium, as the most interesting and revealing aspect of economic systems, stripped capitalism of its historic social relevance, and instead, rendered it a static, "historyless" mode of organization.[510] As Heilbroner states, there was no longer any room in the official world of economics for those who wanted to take the whole gamut of human behavior for their forum, as well as those who wanted to diagnose society for moral reflections and possibly need for radical reforms.[511]

Dissatisfied with this, Thorstein Veblen, in *The Theory of the Leisure Class*, revisited the concept of the economic man. Veblen sought to critique and expand upon the traditional understanding of this archetype by examining the social and cultural dimensions of economic behavior. Unlike the purely rational, utility-maximizing individual of the marginal revolutionists, Veblen's economic man was deeply influenced by social status and conspicuous consumption. Veblen contrasted the behaviors of Native Americans and the Ainus of Japan, where the price of survival was labor, with the Polynesians and ancient Icelanders, who derived their riches through force and falsehood yet displayed wealth ostentatiously to advance their own personal standing, Veblen concluded that conspicuous consumption is a universal phenomenon, transcending specific economic systems and cultural contexts.[512] He therefore asserted that economic actions

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[509] Schumpeter, *History of Economic Analysis*, 538.

[510] Heilbroner, *The Worldly Philosophers*, 176-77.

[511] Ibid., 177.

[512] Thorstein Veblen, *The Theory of the Leisure Class* (New York: Open Road Integrated Media, Inc., 1918), Ch.4. ProQuest Ebook Central.

are often driven by the desire to display wealth and achieve social prestige rather than solely by rational calculations of utility. This perspective challenged the prevailing economic models of his time and provided a more nuanced understanding of human behavior within the context of economic and social structures. Armed with this theory, Veblen, according to Heilbroner, provided an answer to why Marxism failed: "the lower class are not at war with upper class, instead, they are bound up with them by the intangible but steely bonds of common attitudes. The workers do not seek to displace their managers but emulate them…. Their goal is not to rid themselves of a superior class, but to climb up to it."[513]

Similar to Veblen, Alfred Marshall was concerned about the separation between economics and moral reflections. He endeavored to comprehend the mechanisms behind economic event, by grasping the intricate unfolding of economic life and the interplay of its various elements. As a realist, he contended that the concept of a perfectly balanced equilibrium is largely unrealistic in the practical realm of economics, even though the forces that drive towards equilibrium are indeed quite real and influential. Consequently, his overarching approach was grounded in the dynamics of non-equilibrium conditions, reflecting a more realistic and pragmatic understanding of economic fluctuations. Marshall viewed mathematics as a valuable tool to support and clarify economic thought, rather than as an end in itself. He believed that mathematical models should serve to enhance comprehension of economic phenomena but should not overshadow the complexities and nuances of real-world economic behavior.

In spite of this, Marshall's central assumptions, as Macfie notes, were grounded in Benthamite Utilitarianism, which was a mechanistic psychology that eliminated any true form of

[513] Heilbroner, *The Worldly Philosophers*, 233.

moral theory.[514] Macfie further notes that, while Marshall's equilibrium has great heuristic value, its practical inadequacy lies in the fact that it is not equipped to deal with changes away from equilibrium, yet these changes actually dominate our economic fates.[515] Unfortunately, Marshall's work became the foundation for a highly mathematical approach to theorizing about economic affairs.

Vilfredo Pareto applied the final stamp on equilibrium as the main object of economics. In his *Manual of Political Economy,* Pareto built on the work of Walras, further developing the idea that economic systems naturally tend toward a state of equilibrium where supply and demand across all markets are balanced. He introduced the concept of Pareto efficiency (or optimality), to describe an optimal state here resources are allocated in such a way that no individual can be made better off without making someone else worse off. This notion of efficiency, closely tied to the idea of equilibrium, completely eliminates any notion of a transcendental efficient cause. Pareto's criterion implicitly conceptualizes humans as beings who are endowed with consistent preferences and an unlimited cognitive capacity, and who act out of purposive self-interest.[516]

Homo economicus, the neoclassical model for the economic man, therefore had two primary goals: to maximize utility and to minimize costs. This model represents individuals as rational agents who make decisions by carefully weighing the benefits and costs to achieve the greatest personal satisfaction or utility. With the empirical turn in economics in the nineteenth century, there was a growing realization that scientific inquiry into economic behavior was

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[514] Macfie, *The Individual in Society*, 34-35.

[515] Ibid., 35.

[516] Van Geest , Paul. "From Homo Economicus to Homo Dignus: The Indispensability of Patristics for Economics, Even After the Enlightenment" *Cuestiones Teológicas* 49, no. 112 (October 11, 2022): 1–13, 3.

incomplete without a structured model to explain and predict these behaviors. This shift necessitated the development of more rigorous and formalized models. Consequently, economists of the time, starting with Mill, developed, refined, and elaborated on the concept of *Homo economicus*. The aim was to create a theoretical framework that could accommodate the complexities of human behavior while still providing clear, testable hypotheses.

Sigmund Freud's deconstruction of human feelings of guilt as merely a by-product of adjusting our natural behavior to the demands of civilized society provided a transformative perspective on morality and personal responsibility during this time. According to Freud, guilt arises not from a transgression of divine or moral laws, but from the internal conflict between our primal instincts and the expectations imposed by societal norms.[517] This reinterpretation had profound implications for social elites who still adhered to some of the moral tenets of Christianity. Freud's theory offered them a legitimate intellectual framework to disaffiliate from Christianity, as it diminished the notion of individuals as morally responsible agents. By framing guilt as a psychological construct rather than a spiritual or ethical failing, Freud's work allowed these elites to view moral standards as socially constructed rather than divinely ordained, thereby justifying a departure from traditional Christian beliefs. This shift not only influenced personal beliefs but also had broader cultural and social ramifications, contributing even more to the secularization of moral discourse in economics. *Homo economicus*, in its simplest from, was therefore an autonomous, rational chooser, always striving to maximize satisfaction of his preferences within a limited set of resources and who does not apply moral considerations in

[517] Sigmund Freud and James Strachey, *Civilization and Its Discontents* (New York: Norton, 2005).

choosing his preference bundles. This model was thus considered the new moral vision of economics and by extension a new moral vision for humanity.[518]

With the onset of the Great Depression, characterized by economic stagnation and high unemployment rates, the validity of the *Homo economicus* model was called into question. According to this model, in an economic slump, the forces of demand and supply were expected to adjust in such a way that would eventually return the economy to a state of equilibrium. However, the prolonged and severe downturn of the Great Depression defied this expectation. Markets did not self-correct as quickly or effectively as the model predicted, leading to widespread economic hardship. This discrepancy highlighted the limitations of the *Homo economicus* model in addressing real-world economic crises and sparked a reevaluation of economic theories, ultimately paving the way for new approaches, such as Keynesian economics, which emphasized the need for government intervention to stabilize the economy and stimulate growth.

John Maynard Keynes widely considered the father of macroeconomics,[519] significantly modified both the content and purpose of *homo economicus*. In terms of content, while *homo economicus* was traditionally considered a rational agent, Keynes redefined this rationality to an instrumental rationality,[520] where reason is used to determine the means to an end, but not the end itself. This shift acknowledged that individuals might not always make decisions based purely on traditional economic rationality but rather on practical and context-driven

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[518] Claar and Forster, *The Keynesian Revolution and Our Empty Economy*, 94.

[519] Until this point, the study of economics was limited to how individuals and firms made economic decisions. Keynes in his *General Theory of Employment, Interest and Money*, introduced the idea that aggregate demand—comprising consumption, investment, and government spending—plays a crucial role in determining overall economic activity.

[520] Claar and Forster, *The Keynesian Revolution and Our Empty Economy*, 95

considerations. Regarding purpose, Keynes transformed *homo economicus* from an empirical model to be observed and analyzed into a social model to be applied and imposed. For Keynes, economics became a moral crusade aimed at reshaping society in the image of this new *homo economicus*. He believed that by understanding and guiding human behavior through economic policies, society could achieve greater stability and prosperity. This perspective marked a departure from the purely descriptive role of economic models, positioning economics as an active force in social reform and policymaking. In his response to Hayek's *The Road to Serfdom*, which cautioned against the perils of central planning and collectivism, arguing that these methods inevitably lead to totalitarianism and the erosion of individual freedoms, Keynes observed that the true issue was not economic but moral. According to him:

> I should say that what we want is not no planning, or even less planning, indeed I should say that we almost certainly want more. But the planning should take place in community in which as many people as possible, both leaders and followers, wholly share your own moral position. Moderate planning will be safe enough if those carrying it out are rightly oriented in their own minds and hearts to the moral issue. This is in fact already true of some of them. But the curse is that there is also an important section who could be said to want planning not in order to enjoy its fruit, but because morally they hold ideas exactly the opposite of yours and wish to not serve God but the devil.[521]

Like Augustine, Keynes was concerned with the proper management and direction of human behavior for the common good. He recognized both the potential for disordered desire to hinder a positive outcome in economic planning and the good that could be accomplished, both for individuals and society as whole, when the minds of both leaders and citizens are rightly oriented toward achieving the good. Keynes therefore spelled out the qualifications of an economist. According to him, an economist "must be a mathematician, historian, stateman, philosopher – in some degree. He must understand symbols as well as speak in words. He must contemplate the

[521] Quoted in Heilbroner's, *The Worldly Philosophers,* 278-79.

particular in terms of the general…. He must study the present in the light of the past for the purposes of the future. No part of man's nature or his institutions must like entirely outside his regard."[522] Keynes new *homo economicus* gained significant traction and influenced economic policies for many years. This shift was so profound that even Frank Knight, a staunch advocate of free markets and a founding figure of the Chicago School of Economics, supported the Wagner Bill of 1935, which included provisions for fiscal stimulus spending. Knight's support for the bill underscored the widespread acceptance of Keynesian principles, recognizing the need for government action to stabilize the economy and promote employment during the Great Depression.[523]

A significant downside of Keynes' *General Theory* was, however, its failure to develop an economic system capable of consistently bringing about widespread and sustained good for the masses. While Keynes' advocacy for government spending was instrumental in mitigating the effects of economic downturns and stimulating short-term recovery, it did not necessarily ensure the long-term general welfare of society. Keynes focused on stabilizing the economy through fiscal measures, such as increasing government expenditure to boost aggregate demand and reduce unemployment; however, this approach often lacked a holistic vision for addressing deeper structural issues within the economy and society. His model did not sufficiently address income inequality, the sustainability of social welfare programs, or the moral and ethical implications of government intervention. The focus on economic stabilization often overshadowed the need for policies that promoted equitable growth and long-term prosperity for all segments of society. As a result, while Keynesian economics provided valuable tools for

[522] Heilbroner, *The Worldly Philosophers*, 285.

[523] J. Ronnie Davis, *The New Economics, and the Old Economists* (Iowa: The Iowa State University Press, 1971), 16.

managing economic crises, it did not always align with the broader goals of ensuring social justice and moral good, as envisioned by Christian ethical principles. In trying to absolve Keynes of this weakness, Robert Skidelsky, Keynes biographer, argues that pluralism of thought was the main cause of this. According to him,

> "Maximizing the quantity of goodness in the universe cannot provide an agreed criterion for economic action, because rational people disagree about what is good. Economics therefore is bound to take wants as data and treat the maximization problem in terms of want satisfaction. This is a problem for any attempt to marry ethics and economics. We can ease it, but not remove it entirely, by constructing indexes of 'well-being' which contain 'quality-of-life' measures."[524]

Consequently, Skidelsky maintains that mainstream economics today, by improving on the mathematics and abandoning common sense, is further away from Keynes's economics than ever before.[525]

So far, this study has surveyed over two millennia of economic thought, revealing a consistent theme across the thinkers discussed: a deep engagement with the notion that humans desire happiness and a profound exploration of what it truly means to be human, including the motivations that drive human behavior. Charles Mathewes observes that despite the fact that the postmodern world is thoroughly rationalized, governed by rigorously capitalist, scientific and materialistically reductionistic systems, there remain vestigial theological and presumably otherworldly beliefs.[526] Hence, we observe the postmodern focus on enhanced engagement in worldly affairs, including political, cultural, and ecological spheres. This "disenchanted" attempt to bend our longings back into the world, Mathewes notes, only ends up distorting them

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[524] Robert Skidelsky, *Keynes: The Return of the Master* (New York: Public Affairs, 2010), 159. ProQuest eBook Central.

[525] Ibid., 125.

[526] Charles Mathewes, "On Using the World," Chapter in Charles Mathewes and William Schweiker, eds., *Having: Property and Possession in Religious and Social Life* (Grand Rapids, MI: Eerdmans, 2004), 196.

instead.[527] Thus, we still have "theological" longings, but they must be affixed inevitably to disappointing ends, namely material goods which have consequences. Yet the material consequences of our loving the world, Mathewes notes, are not the only important ones; the impact of this attitude on our self-understanding is significant as well.[528] Psychologically, this perspective leads to a persistent sense of dissatisfaction stemming from desires that remain unfulfilled.

Augustine stands out by offering a particularly compelling explanation. His works delve deeply into human nature, emphasizing the role of will and desire not only in personal fulfillment but also in shaping societal structures. His perspective integrates theological insights with philosophical inquiry, suggesting that true happiness is found in the alignment of human desires with divine will. An Augustinian approach provides a robust framework for understanding economic behavior, extending beyond mere transactional interactions to consider the broader existential and ethical implications of economic activities. Augustine posits that our economic decisions are ultimately linked to our pursuit of a good life: a life that is in harmony with higher moral and spiritual truths. Building on Augustine's foundation, this study examines how these ancient insights can be applied to modern economic theories, which often prioritize efficiency and utility without adequately addressing the underlying human quests for meaning and fulfillment. By reintegrating Augustinian concepts into the discussion, this research aims to offer a more holistic view of economics, one that respects both the material and spiritual dimensions of human life. This approach not only enriches our understanding of economic dynamics but also aligns economic practices with the pursuit of a more just and fulfilling human existence.

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[527] Ibid.

[528] Ibid., 198.

Chapter 5

Reevaluating Rational and Behavioral Economic Models: The Inside Out Approach

In constructing economic models, modern economists are unfazed by the sometimes-unrealistic nature of their assumptions, often viewing this as a strength rather than a weakness. Supported by mathematical frameworks, they have returned even more decisively than classical economists to the use of 'ideal type' theorizing, prioritizing mathematical precision over empirical accuracy. Unlike his predecessors, Keynes was not a Christian or even a socialist. Therefore, his vision of what constitutes the good life did not draw on these ideologies. Instead, his approach was grounded in rationality, advocating for policies and ideas that emphasized logical reasoning and practical outcomes. Milton Friedman notes that positive economics is in principle independent of any "particular ethical or moral judgments."[529] He notes:

> As Keynes says, it deals with "what is," not with "what ought to be." Its task is to provide a system of generalization that can be used to make correct predictions about the consequences of any change in circumstances. Its performance is to be judged by the precision, scope, and conformity with experience of the predictions it yields. In short, positive economics is, or can be, an "objective" science, in precisely the same as any of the physical sciences.[530]

This is why Schumpeter will argue that, holding a theological or philosophical position should not matter or influence the work of economists. According to him, we do not need religious or philosophical elements in understanding the completeness or realism of human behavior.[531] Echoing Friedman and Schumpeter, Frank Knight of the Chicago School, argues that the importance of economics is not necessarily its social use but mainly its ability to make scientific sense of human conduct. According to him, "economics deals with the form of conduct rather

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[529] Milton Friedman, *Essays in Positive Economics* (Chicago: University of Chicago Press, 1953), 4.

[530] Ibid.

[531] Schumpeter, *History of Economic Analysis*, 28-32.

than its substance or content."[532] Therefore, if anyone wishes to study the concrete content of motives and conduct, Knight continues, he must turn from economic theory to biology, social psychology and especially culture history.[533] McCloskey, however, thinks otherwise. According to her, "at the level of economic theorizing, all such scientists are humanists, dealing in categories and derivations."[534] The issue, however, is that economics has ignored the humanities, such as philosophy and literature, theology and history, cultural anthropology and qualitative sociology. This has resulted in an ignoring of the study of human meaning.[535] Therefore, when contemporary economists dismiss the transcendent purposes of economic actors and instead treat them like ants to be observed, trading is no longer with other human knowledge.[536] She goes on to observe that even behaviorism, which will be discussed shortly, has ruled economics and many other fields of human science since the 1930s, but is without much philosophical reflection about what "a speaking species does."[537] This section will, using the inside-out approach of Allen and Chatraw, evaluate the foundational assumptions underpinning the rational choice model, specifically its premise of utility maximization. It will also evaluate the concept of bounded rationality, which is a core principle of behavioral economics.

Traditional economic theory relies on the concept of the "economic man" or *homo economicus*. This theoretical construct assumes that individuals are rational actors who are fully

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[532] Frank H. Knight "Ethics and the Economic Interpretation." *The Quarterly Journal of Economics* 36, no. 3 (1922): 454–81, 375. https://doi.org/10.2307/1886033

[533] Ibid., 176.

[534] Deidre N. McCloskey, *Bettering Humanomics: A New and Old Approach to Economic Science* (University of Chicago Press, 2021), 20. ProQuest Ebook Central.

[535] Ibid., 9.

[536] Ibid., 5.

[537] Ibid.

informed and consistently act to maximize their utility. Knight describes the "economic man" as thus:

> The economic man is the individual who obeys economic laws, which is merely to say that he obeys *some* laws of conduct, it being the task of the science to find out what the laws are. He is the *rational man*, the man who knows what he wants and orders his conduct intelligently with a view to getting it. In no other sense can there be laws of conduct or a science of conduct; the only possible "science" of conduct is that which treats of the behavior of the economic man.[538]

For Knight, the economic man is akin to a computer: an abstract, isolated individual who makes purely rational decisions to achieve given ends. Kathryn Blanchard observes that, as a result of the desire to limit the ability of economics to only assessing the selection of means to given ends, Knight releases economics from dependence on ethics, insisting that models have no import for "value-seeking" or "value-defining" behavior.[539] However, Knight cannot be overly criticized for his perspective, as the Pareto criterion (discussed in Section II), which is now the dominant measure of efficiency in economics, posits that interpersonal utility comparisons are impossible.

This means that primacy is now given to individual valuation and choice. As a result, any decision that enhances individual welfare or satisfies personal preferences is inherently regarded as virtuous. This conclusion, however, assumes that humans have unlimited cognitive capacity or perfect rationality and therefore, are able to logically weigh the costs and benefits of each decision to maximize personal satisfaction. It also assumes that humans are driven primarily by self-interest and have perfect information about all choices and their consequences, enabling them to make the optimal decision every time.

According to Hirschfeld, then, *homo economicus* is characterized by a well-defined set of preferences that must meet three criteria. First, he must have a complete set of preferences,

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[538] Knight "Ethics and the Economic Interpretation," 474.

[539] Blanchard, *The Protestant Ethic or the Spirit of Capitalism*, 95.

meaning he can compare any two options - *x* and *y* - and determine whether he prefers *x* to *y*, *y* to *x*, or is indifferent between them. Second, his preferences must be transitive; if he prefers *x* to *y* and *y* to *z*, then he must also prefer *x* to *z*. Lastly, his preference ordering should be context-independent, meaning a preference for *x* over *y* should not be influenced by the presence of other alternatives.[540]

However, economists understand that human behavior is more complex than this. They understand that humans do not always behave rationally and are thus willing to consider forms of irrationality in their model. So even Knight observes:

> They reduce to the proposition that there is no such man, and this is literally true. Human beings do not in their conscious behavior act according to laws, and in the concrete sense a science of conduct is an impossibility. They neither know what they want - to say nothing of what is "good" for them - nor act very intelligently to secure the things which they have decided to try to get. The limitation on intelligence - knowledge of technique - is not fatal to the conception of a scientific treatment of behavior, since people are "more or less" intelligent, and "tend" to act intelligently, and all science involves a large measure of abstraction.[541]

Here, Knight is willing to concede to the fact that, in reality, a purely economic human being does not exist. However, he does not see this as a limitation to the scientific treatment of behavior. This is because one does not need to know what the final end is to conduct meaningful economic analysis. He argues:

> For the time being, an individual acts (more or less) as if his conduct were directed to the realization of some end, more or less ascertainable, but at best provisional and vague. The person himself is usually aware that it is not really final, not really an "end;" it is only the end of the particular act, and not the ultimate end of that. A man engaged in a game of chess acts as if the supreme value in life were to capture his opponent's pieces; but this is obviously not a true or final end; the circumstances which have led the individual to accept it as end for the moment come largely under the head of accident and cannot be reduced to law and the typical conduct situation in civilized life is analogous to the game

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540 Hirschfeld, *Aquinas and the Market*, 39.

541 Knight "Ethics and the Economic Interpretation," 474.

> in all the essential respects. A science of conduct is, therefore, possible only if its subject-matter is made abstract to the point of telling us little or nothing about actual behavior.[542]

This implies that Knight recognizes that economic reasoning is only a small component of the complex process of real-life decision-making. They understand that the concept of the "economic man" does not encompass the entirety of human nature but represents just a small aspect of it.

However, some economists contend that their frameworks are sufficiently versatile enough to account for motives beyond individual self-interest and preference satisfaction. They argue that considerations of the well-being of others can be incorporated into the utility function, allowing for these broader concerns to be maximized as well. Gary Becker, a leading advocate of this position, introduces altruism into the utility function. Using the family unit as an example, Becker asserts that "altruism is generally recognized to be important within a family."[543] Using the husband (*h*) and the wife (*w*) as an example, Becker argues that if *h*, is effectively altruistic toward *w*, it will mean that *h*'s utility function depends positively on the well-being of *w* – "effectively" meaning that *h*'s behavior is changed by his altruism.[544] Misunderstanding Smith's self-interest to mean selfishness, he argues that even an altruist may be called selfish, not altruistic, in terms of utility.[545] Even a selfish beneficiary, Becker continues, wants to maximize family income, she is therefore led by the "invisible hand of self-interest" to act as if she were altruistic toward her benefactor.[546] The implication, according to Becker, is that both the altruist

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[542] Ibid., 475.

[543] Gary S. Becker, *A Treatise on the Family: Enlarged Edition* (Cambridge: Harvard University Press, 1991), 277. ProQuest Ebook Central.

[544] Ibid., 278.

[545] Ibid., 279.

[546] Ibid., 284.

and the selfish beneficiary will both be made better off. Since economics is fundamentally the science of allocating scarce resources among unlimited wants, Becker argues that his altruistic theory can explain the exchange of love within a couple. He notes: "Put differently, the scarce resource "love" is used economically, because sufficient caring by an altruist induces even a selfish beneficiary to act as if she cares about her benefactor as much as she cares about herself."[547] For Becker, even love can be reduced to a transaction, where a person shows love to another based on the maximization of their own utility.

What this means for public policy, according to Michael J. Sandel, is that by promoting policies that rely whenever possible, on self-interest rather than altruism or moral considerations, the economists saves society from squandering its scarce supply of virtue.[548] Sandel goes on to note that this way of thinking, ignores the possibility that our capacity for love and benevolence is not depleted with use but enlarged with practice.[549] James K. A. Smith emphasizes the heart—the center of humanity's deepest loves, affections, and commitments—as the driving force behind the rest of the creatures. Human beings have rational capacities and are therefore primarily lovers.[550] He notes that to avoid this kind of transactional love that Becker posits, love must be cultivated. Thus, education, first of all, must be about cultivating love.[551] Practice cultivates love rather than depleting it.

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[547] Ibid.

[548] Michael J. Sandel, *What Money Can't Buy: The Moral Limits of Markets*, first edition (Farrar, Straus and Giroux, 2012), 128.

[549] Ibid.

[550] James K. A. Smith, and Stassen, Glen. *Desiring the Kingdom: Worship, Worldview, and Cultural Formation*. Grand Rapids: Baker Academic, 2009. Accessed June 25, 2024. ProQuest Ebook Central.

[551] Ibid., 22-48.

This is also in line with Aristotle's emphasis on education as a way of cultivating virtue, as discussed in chapter 2. According to him, "it is by doing just acts that we become just, by doing temperate acts that we become temperate, by doing courageous acts that we become courageous."[552] Applying this to civic virtue, the more it is encouraged and emphasized, the more it is built up and not diminished or strenuous on the citizens. This is because man is a relational being and he thrives and flourishes in relationships not necessarily to maximize his own utility. Sandel further contends that viewing all human relationships through the lens of preference satisfaction and transactions actually narrows an individual's range of choices, contrary to what rational choice theory might suggest. He argues that this transactional perspective can undermine actions driven by a sense of moral obligation. When relationships are treated merely as opportunities for maximizing personal gain, it diminishes the broader, richer set of motivations that can guide human behavior, leading people who might otherwise act out of moral duty to instead make decisions based solely on self-interest. Sandel cites an experiment conducted by two economists involving Israeli daycare centers. The centers introduced a fine for parents who picked up their children late. The intention was to motivate parents to pick up their kids on time to avoid the extra cost, thereby reducing the number of late arrivals. However, the result was counterintuitive: the number of late pick-ups actually doubled. Parents began to treat the fine as a fee they were willing to pay, rather than a deterrent. After about twelve weeks, the centers eliminated the fine, but the increased rate of late arrivals persisted. Sandel concludes that the introduction of a monetary penalty had eroded the parents' moral obligation to pick up their

[552] Aristotle, *The Nicomachean Ethics* (London, Macmillan, 1902), Book II.1, 35

children on time. Once this sense of responsibility was undermined, it proved difficult to restore.[553]

This experiment supports Smith's and Aristotle's assertion that virtues can be cultivated over time, and conversely, vices can also be developed through repeated actions. The case of the daycare centers illustrates how introducing financial incentives can sometimes undermine moral behavior, leading to long-term changes in attitudes and actions. It also demonstrates that people do not always act rationally in all situations. According to the rational choice model, individuals strive to maximize their satisfaction by selecting the preference bundle that provides optimal satisfaction or welfare. Introducing a fine would presumably lead a rational individual to pick up their child on time to avoid the fee and maintain their preference bundle intact. However, the opposite occurred in the above example, illustrating a deviation from rational behavior. This paradox highlights the limitations of the rational choice model and has contributed to the development of behavioral economics.

Behavioral economics examines how psychological, social, and emotional factors influence economic decisions, recognizing that individuals often deviate from purely rational behavior. People do not always act out of egoistic motives as postulated by the rational choice model. Amartya Sen challenges the assumptions of the rational choice model. He notes that human behavior is both driven by egoistic and non-egoistic motives. He distinguishes them by attributing "sympathy" to egoistic self-seeking motives and "commitment" to non-egoistic motives. He notes:

> Sympathy is, in some ways, an easier concept to analyze than commitment. When a person's sense of well-being is psychologically dependent on someone else's welfare, it is a case of sympathy; other things given, the awareness of the increase in the welfare of the other person then makes this person directly better off. (Of course, when the influence

[553] Sandel, *What Money Can't Buy*, 118-19.

> is negative, the relation is better named "antipathy," but we can economize on terminology and stick to the term "sympathy," just noting that the relation can be positive or negative). While sympathy relates similar things to each other namely, welfares of different persons, commitment relates choice to anticipated levels of welfare. One way of defining commitment is in terms of a person choosing an act that he believes will yield a lower level of personal welfare to him than an alternative that is also available to him. Notice that the comparison is between anticipated welfare levels, and therefore this definition of commitment excludes acts that go against self-interest resulting purely from a failure to foresee consequences.[554]

Notice that Sen, while highlighting the inconsistencies in the assumptions of the rational choice model, remains committed to the tradition of welfare maximization. Despite his criticisms, he does not abandon the goal of welfare maximization; instead, he seeks to expand its scope to encompass a more comprehensive view of what contributes to human well-being. He therefore seeks for increased realism in economic analysis. Behavioral economics claims to do this.

At the core of behavioral economics is the belief that enhancing the realism of the psychological foundations of economic analysis will inherently improve the field. This approach aims to generate deeper theoretical insights, provide more accurate predictions of real-world phenomena, and suggest more effective policies. While the behavioralists also hold the assumption that man possess unbounded freedom, they argue that he does not possess unbounded rationality. They argue that humans most often exhibit anomalies that are contrary to the assumptions of the rational choice model. The field is still fairly new, beginning in the 1960s. One of the key concepts within this discipline is the use of heuristics—mental shortcuts or rules of thumb that people employ to make decisions. Behavioral economists therefore conduct surveys by creating various scenarios that participants respond to, which then forms the basis for predicting behavior. They also sometimes conduct laboratory experiments to find out how the

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[554] Amartya K. Sen, "Rational Fools: A Critique of the Behavioral Foundations of Economic Theory." *Philosophy & Public Affairs* 6, no. 4 (1977): 317–44, 327. http://www.jstor.org/stable/2264946

brain responds to certain situations and circumstances. They consider their approach to be eclectic and define themselves not on the basis of the research methods that they employ, but rather on their application of psychological insights to economics.[555] Richard H. Thaler suggests that: "we don't have to stop inventing abstract models that describe the behavior of imaginary *Econs*. We do, however, have to stop assuming that those models are accurate descriptions of behavior, and stop basing policy decisions on such flawed analyses. And we have to start paying attention to those supposedly irrelevant factors."[556] He goes on to note that while behavioral economics is still economics, "it is economics done with strong injections of good psychology and other social sciences."[557]

Behavioral economics adopts different approaches to understanding human behavior. Unlike the rational choice theory, behavioral economists argue that people are always, not at all times, perfectly informed about their preference bundles. Instead, the way that choices are presented to individuals often determine the preferences that are revealed.[558] This is known as the "framing effect"[559] developed by Amos Tversky and Daniel Kahneman. The argument of the "framing effect" is that context is a powerful tool in psychology to understand how and why people make certain decisions. Also related to context is the "hot-cold empathy gaps" developed by George Loewenstein. According to this method of understanding human behavior, people make different decisions in different emotional states or visceral conditions. Using this to explain

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[555] Colin F. Camerer, George Loewenstein and Matthew Rabin, *Advances in Behavioral Economics* (Princeton, NJ: Princeton University Press, 2004), 8-9.

[556] Richard H. Thaler, Misbehaving: *The Making of Behavioral Economics*. First edition (W.W. Norton & Company, 2015), 10.

[557] Ibid.

[558] Ibid., 11.

[559] Amos Tversky, Daniel Kahneman, "The Framing of Decisions and the Psychology of Choice," *Science* 211 (1981): 453-458.

issues such as addiction, suicide and rape, they explain that an individual in a "hot" emotional state (such as anger, hunger, or arousal) struggles to understand or predict his behavior in a "cold" rational state, and vice versa.[560] This gap according to them, leads to a misalignment in anticipating future actions and making decisions. For example, a person might underestimate their future impulse buying when they are currently calm and rational. Conversely, when in a highly emotional state, they might not accurately recall or appreciate their usual preferences and behaviors when they are calm. This according to the behavioralists, helps the economist better appreciate the problem of self-control and can help in dealing with some of society's biggest problems. "Mental accounting," developed by Thaler, is another approach that is employed by the behavioralists.

This approach stands in opposition to the traditional economic assumption that "money is fungible,"[561] instead predicting that people will spend money coming from different sources in different ways. An example that reflects this is an individual who receives a cash gift of $100. According to the rational choice model, this person would allocate the money in a way that maximizes their overall satisfaction or utility. However, Thaler's 'mental accounting' approach suggests that people often treat money differently based on its source or intended use, rather than viewing it as completely fungible or interchangeable. For instance, suppose the individual decides to mentally categorize the $100 cash gift into a "fun money" account. As a result, they might choose to spend the entire amount on leisure activities, like dining out or entertainment, even if these purchases do not provide the highest possible utility in comparison to other needs or desires. In another scenario, say the same individual receives $100 as a paycheck bonus and

[560] George Loewenstein, "Hot-Cold Empathy Gaps and Medical Decision Making," *Health Psychology*, vol. 24, no. 4, Suppl, 2005, pp. S49–56, https://doi.org/10.1037/0278-6133.24.4.S49.

[561] Camerer, Loewenstein and Rabin, *Advances in Behavioral Economics*, 18.

categorize it differently, perhaps seeing it as “extra savings” or “emergency funds.” In this case, he might be more inclined to save the money or spend it on more practical needs, such as paying bills or buying groceries. Thaler therefore argues that his mental accounting approach demonstrates that people do not always adhere to the rational choice model. Instead, they often compartmentalize their finances into different mental accounts, which influences their spending and saving behaviors in ways that deviate from purely rational economic principles.[562]

Other approaches that have been employed by the behavioralists to describe and predict human economic behavior include “The Prospect Theory” of Kahneman and Tversky, which argues that that people behave differently when confronted with risk, depending on whether they are facing potential gains or losses, and this is not adequately captured by the assumed concavity of the utility function.[563] Other approaches are the “intertemporal choice” approach, “time discounting” method, and “fairness and social preferences” model. While all three approaches are important, the latter approach will be discussed briefly in what follows.

While the rational choice model assumes that people act to maximize their own wealth and self-interest, the “fairness and social preferences” approach argues that people may sometimes choose to “spend” their wealth to punish others who have harmed them, reward those who have helped them, or try to make outcomes fairer.[564] This behavior, according to behavioral economics, reflects a consideration of social norms and moral values alongside personal gains. An illustrative example of this approach is the “prisoner’s dilemma,”[565] a classic scenario in game theory. In the prisoner’s dilemma, two individuals arrested for a crime are interrogated

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[562] Thaler, *Misbehaving*, 55-80.

[563] Daniel Kahneman, and Amos Tversky. “Prospect Theory: An Analysis of Decision under Risk,” *Econometrica* 47, no. 2 (1979): 263–91. https://doi.org/10.2307/1914185.

[564] Camerer, Loewenstein and Rabin, *Advances in Behavioral Economics*, 27.

[565] Ibid., 28.

separately. Each prisoner has the option to either cooperate with the other by remaining silent or defect by betraying the other. If both prisoners cooperate by staying silent, they receive a moderate sentence. However, if one defects while the other cooperates, the defector goes free while the cooperator receives the maximum sentence. If they both defect, they receive severe sentences, though less than the maximum. The rational choice model will predict that both prisoners will defect, as it seems to be the dominant individual strategy when considering self-interest alone. However, empirical, and experimental evidence often shows that people are more cooperative than predicted, influenced by considerations of fairness and the possibility of future interactions.[566] This tendency towards cooperation, even at potential personal cost, thus underscores the role of social preferences and the desire for equitable outcomes. The "fairness and social preferences" approach therefore challenges the notion that economic behavior is driven purely by self-interest. Proponents will argue that this approach, highlights how ethical considerations, reputational concerns, and long-term relationship dynamics can influence decision-making and expand the scope of economics.

Behavioral economics has significantly enriched and expanded the scope of traditional economic theory. In recent years, behavioralists have increasingly gained recognition and influence in policy-making circles. The influence of this branch of economics now extends across various domains, from finance and health to environmental policy and public administration, where behavioral insights are considered to help craft more effective and efficient policies tailored to actual human behaviors and preferences. Yet, McCloskey observes that behavioral economics also tends to ignore human meaning, just like the traditional model, in

[566] Ibid.

favor of insisting, based on psychology, that all that matters are external behaviors.[567] According to her, behavioralists "study the brain but ignore the mind."[568]

This study will now turn to the inside-out approach to offer a more substantive critique of each of the economic models that have been discussed in this section and to develop a biblical model that better explains the true meaning of being a human.

Section I:1 Beyond Rationality and Behaviorism: Constructing a Biblical Economic Model Inspired by Augustine's Philosophy

The inside out approach to apologetics and cultural engagement proposed by Allen and Chatraw suggests a methodology for engaging with others in dialogue, where the gospel and Christian theology is placed at the center of interactions and woven throughout into the dialogue.[569] This others-centered approach begins with the apologist entering into the other person's plausibility structures and engaging the person within those structures.[570] The purpose of beginning with the other person's assumptions is to create space to understand and acknowledge the foundational beliefs that shape the other individual's perspective, and also to help the other person consider some of the problems with their own assumptions, with the hope that they will be willing to consider the plausibility of Christianity.

As the name implies, the method has two aspects. First, the apologist starts with the inside, where he finds admirable points to affirm in the other person's assumptions and then points out areas of inconsistencies when such assumptions are pursued to a logical end. The second aspect of this approach, the "outside," focuses on identifying areas where the other

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[567] McCloskey, *Bettering Humanomics,* 23.

[568] Ibid.

[569] Joshua D. Chatraw, and Mark D. Allen, *Apologetics at the Cross: An Introduction for Christian Witness,* (HarperCollins Christian Publishing, 2018), 214. ProQuest Ebook Central,

[570] Ibid.

person's assumptions overlap with Christian principles. This phase involves pointing out commonalities and then elaborating on how Christianity provides a more comprehensive and nuanced understanding of life and history.

The inside out approach systematically guides the conversation through a series of thoughtful "diagnostic" questions designed to engage deeply with the other person's beliefs and viewpoints. The "inside" questions are aimed at delving into the person's core beliefs and assumptions; they are as follows: (1) "What can we affirm and what do we need to challenge?" and (2) "Where does [this perspective] lead?"[571] The "outside" questions seek to broaden the discussion to include a comparative analysis with broader cultural narratives and the unique explanatory power of Christianity; they are as follows: (1) "Where do competing narratives borrow from the Christian story?" and (2) "How does Christianity better address our experiences, observations and history?" By posing these questions, the apologist is inviting others to discover the relevance of Christianity, and its transformative power in understanding and navigating the human condition.

The inside-out approach is not a new concept in various fields of study, including psychology, education, and business. In psychology, for example, the approach is often associated with understanding one's emotions and thoughts before responding to external stimuli. In education, it pertains to the idea that learning begins with self-awareness and personal motivation before external educational influences are introduced. In business, it can refer to companies focusing on internal culture and values as a precursor to achieving external business success.[572] In this context, the application of this method brings a unique and valuable

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[571] Ibid., 216.

[572] For psychology, see for example, Christian E. Salas, Darinka Radovic, and Oliver H. Turnbull. "Inside-Out: Comparing Internally Generated and Externally Generated Basic Emotions." Emotion 12, no. 3 (2012): 568; For business, see Roberts, Laura Morgan, Sandra E. Cha, Patricia F. Hewlin, and Isis H. Settles. "Bringing the

perspective to the discussion of faith and belief systems. The versatility of the inside-out approach makes it particularly useful for our discussion on understanding human economic behavior. Hence, the method will now be applied to evaluate some of the assumptions of both the rational choice model and the behavioral economics model, after which a biblical model will be developed based on the last diagnostic question in the inside-out approach.

Section I:2 An Application of the Inside Out Method

Maximizing utility is a central concept in both rationalist and behavioral economics, serving as a fundamental assumption about what motivates human behavior. Though behavioralists might argue that their model deviates from strict utility maximization, at the core, their theories still suggest that individuals are attempting to maximize their satisfaction or happiness, albeit under different constraints and influences. These might include striving for social acceptance, avoiding emotional discomfort, or following heuristics that simplify the decision-making processes. But the rational choice model also recognizes that people make decisions under constraints, such as limited information, time and budget/financial concerns. This means that both economic methods recognize individual choice and valuation as the keystone to their economic theory.

Also, embedded within both theories is the assumption that humans are free agents, capable of making their own choices. This notion of agency is important because it emphasizes the belief that individuals can evaluate their options and act according to their preferences, whether those actions are influenced by rational calculations or behavioral biases. The concept of free agency therefore acknowledges that, while individuals may be influenced by external

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Inside Out: Enhancing Authenticity and Positive Identity in Organizations." In *Exploring Positive Identities and Organizations*, pp. 149-169. Psychology Press, 2009; in its application in the field of education, see Delores B. Lindsey, and Linda MacDonell. "The inside-out approach." *The Learning Professional* 32, no. 1 (2011): 34.

factors, they still retain the ability to make decisions independently. Milton Friedman observes that the rational choice model conceives of man as a responsible individual who is egocentric, in the sense not of being selfish or self-centered but rather of placing greater reliance on his own values than on those of his neighbors.[573]

This conception, though entirely plausible within the discipline of economics, is driven by implicit philosophical judgments that resonate deeply with those holding Christian sensibilities. It reflects the Christian belief in human dignity and free will. Implicit in its assumptions is the notion that, as image bearers of God, we possess the freedom and ability to make meaningful choices. However, by giving primacy to individual choice, as both models assume, choice becomes valorized as its own virtue rather than being directed toward a higher purpose. This emphasis on individual autonomy can lead to the perception that the act of choosing itself is inherently valuable, irrespective of the moral or ethical implications of those choices.

Greg Forster notes that giving people the right to control their own lives and make their own choices means living in a chaotic and unstable social environment, where economic growth means people have more power to do what they want, including things they should not want.[574] This is because, as observed by Kevin Brown, this freedom—people doing whatever they want—is different from true freedom—the *capacity* to do what I ought.[575] One need only

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[573] Milton Friedman, *Milton Friedman on Freedom: Selections from The Collected Works of Milton Friedman*, edited by Robert Leeson, and Charles G. Palm (Hoover Institution Press, 2017), 8. ProQuest Ebook Central.

[574] Forster, *Economics*, 92.

[575] Kevin Brown, "Augustine, Desire, and the Moral Significance of Preferences," *Faith & Economics* 71 (Spring 2018): 3-24, 9.

consider the voluntary exchange of pornography to recognize the ethical issues with these models when placed next to real human beings with real lives.

Both models primarily describe and predict human behavior but lack the ability to prescribe ethical or moral guidelines. They focus on the "is"—what individuals do—and neglect the "ought"—what individuals should do. Therefore, pursuing one's material self-interest is not seen as a moral choice, but simply the way things are. Yet the prescriptive dimension to "choice" is crucial for understanding the higher purposes and moral obligations that guide human actions regarding freedom. When this dimension is absent, all that remains is the sheer arbitrary power of one will against another.

This is not to say that freedom of choice is inherently bad, as it is a necessary antecedent to moral growth. According to Augustine, the divine precepts would themselves be pointless to humans unless there was free choice.[576] He notes:

> The divine precepts would themselves be pointless for human beings unless we had free choice of the will, by which we might reach the promised rewards through carrying them out. For the precepts were given to human beings in order that they not have an excuse on the grounds of ignorance, as the Lord says of the Jews in the gospel: "Had I not come and spoken to them, they would have no sin; but now they have no excuse for their sin" [Jn. 15:22].[577]

Without the freedom to choose, moral action lacks its vital force. Man's obedience to God is thus dependent on the ability to exercise his will/choice. The concept of freedom can thus be said to be borrowed from the Christian narrative, which recognizes that humans as image bearers are created with freewill.

The problem is not in the assumption that people have freedom of choice; rather, it lies in the object towards which this freedom is directed. Augustine notes that the important factor here

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[576] Augustine, *On Grace and Free Choice*, 2.2.

[577] Ibid.

is the quality of a person's choice.[578] If it is perverse, then its object will be perverse and if it is right, so will be the object of its pursuit. Genuine freedom, therefore, is not simply the ability to choose, but the capacity to choose rightly. So, while economists will argue that the market is free if people can satisfy their wants without harming others, they do not provide any ideas about what people ought to want or desire. In contrast, Augustine asserts that true freedom of choice, comes from being liberated from false desires and being moved to desire rightly.[579] This freedom can only be achieved through grace. Unless grace helps, Augustine argues, human choices can only be driven by the power of sin.[580] But "when a person is resolved on loving God and on loving his neighbor as himself," Augustine continues, "he is called a person of goodwill."[581]

Another fundamental assumption in economic theory is the assignment of ultimate value (*telos*) to human freedom. Friedman asserts that "principles for social action must be based on both ultimate values and on a conception of the nature of man and the world. Liberalism takes freedom of the individual as its ultimate value."[582] Contrary to what non-economists might assume, the concept of the economic man indeed embodies a telos. Similar to Friedman, Christian economist Andrew Yuengert argues for this point. He advocates for incorporating economic practice within a Thomistic and Aristotelian framework of the moral life. According to Yuengert, the economic man pursues specific ends which, although they may not be ultimate ends as Friedman suggests, are still significant.[583] So the pursuit of wealth in economic activities,

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[578] Augustine, *City of God*, XIV.6, 105. For the purpose of this study, choice and will, will be used interchangeably.

[579] See Cavanaugh, *Being Consumed*, 9-15.

[580] Augustine, *On Grace and Free Choice*, 4.8.

[581] Augustine, *City of God*, XIV.7, 106.

[582] Milton Friedman, *Milton Friedman on Freedom*, 8.

[583] Andrew Yuengert, "The Boundaries of Technique: Ordering Positive and Normative Concerns in Economic Research." *Journal of Economic Literature* 42, no. 4 (Dec 2004, 2004/12//): 1170-1.

for example, can be seen both as an end and also the pursuit of another end (e.g., as a means to support one's family). While Yuengert tries to locate his conception of end within the positive economic framework, yet his perspective challenges the reductionist view of Friedman's end.

While Friedman's position is defensible, given that Christianity also upholds the value of freedom, Herbert Gintis contends that Friedman's position is inapplicable in many contexts.[584] For example, if freedom is considered the ultimate end of man, then it becomes perplexing to understand why a criminal would commit a crime, fully aware of the risk of being apprehended and subsequently deprived of his freedom by being incarcerated. Notwithstanding, embedded in Friedman's view is the implicit theological assumption that freedom, as an ultimate value, aligns with the believer's eschatological hope. According to this perspective, freedom attains its true significance when it leads to union with God and the realization of true *eudaimonia* or flourishing. Hans Urs von Balthasar provides a profound insight here. He asserts that, human freedom is inherently relative to God's freedom. Therefore, while human freedom cannot be overpowered or nullified by divine freedom, it can be, in a manner of speaking, outmaneuvered by it."[585] Balthasar thus emphasizes that human freedom, though significant and inviolable, operates within the broader context of divine freedom. This perspective challenges Friedman's notion of human freedom as absolute or ultimate value. This is because according to Balthasar, human freedom is always exercised within the parameters set by God's overarching providence.

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https://go.openathens.net/redirector/liberty.edu?url=https://www.proquest.com/scholarly-journals/boundaries-technique-ordering-positive-normative/docview/213193277/se-2

[584] Herbert Gintis, Bowles, Samuel, Boyd, Robert, and Fehr, Ernst, eds. *Moral Sentiments and Material Interests: The Foundations of Cooperation in Economic Life* (Cambridge: MIT Press, 2005), 6-7. ProQuest Ebook Central.

[585] Hans Urs von Balthasar, et al. *Dare We Hope "That All Men Be Saved"?: With, A Short Discourse on Hell* (Ignatius Press, 1988), 221-22.

In economic theory (referring here to only the rational choice model), the economic man is not only free, but he is also rational. This means that for every decision he takes, he has carefully analyzed it and has weighed the cost and benefit of every alternative. However, behavioral economics challenges this notion by arguing that humans do not always act rationally. Consequently, empirical psychological investigations are deemed necessary to fully understand human behavior. The findings from these investigations can thus be generalized and used to predict behavior. John Doris however cautions against relying on empirical psychological findings. According to him, we need to be skeptical about assigning *global* character to traits. This is because human behavior is often times, strongly shaped by the effects of specific situation and contexts; for example, a Nazi concentration camp guard who cannot be bribed to spare Jews in a display of integrity, will act differently if the bribe was to spare a family member.[586] Blanchard concurs with Doris. The "behavioristic man," as she names the behavioral economic model, lacks historical specificity, just like the rational choice model. It views humans as a process of stimuli and responses that have no reason for being and no final goal.[587] What this implies is that both economic models are not capable of telling whether an action or a choice, even though considered rational, is right or wrong. This is because the models' assumption of rationality is more subjective than adherents claim. To trust the deliverance of our decisions as being rational and true is therefore to fall in an ultimately irrational position, since, according to Jacques Ellul, rationality cannot itself be rationally justified. Relentless rationalizing will only lead to an insatiable and unending drive for efficiency, as we see in our modern society.[588]

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[586] John M. Doris, *Lack of Character: Personality and Moral Behavior* (Cambridge: Cambridge University Press, 2002), 18.

[587] Blanchard, *The Protestant Ethic or the Spirit of Capitalism*, 100-01.

[588] Jacques Ellul, et al. *Presence in the Modern World*, 1st ed. (Cambridge: The Lutterworth Press, 2016), 20, 61 & 72.

Therefore, the assumption of rationality, devoid of any higher purpose, only leads to irrational and dehumanizing outcomes. As Ellul notes, life is not as efficient as the economic models portray it to be. The irony of building society around the rational ideal of efficiency, Christopher Watkin notes, is that human beings become reduced to the status of a means to the end of the efficiency that was initially supposed to serve them, leading to an even fuller subordination of human beings to their economic function in a mindless pursuit of efficiency for efficiency's sake.[589] While economic theory claims it is rational, when it comes in contact with human life, it produces perverse and irrational effects, which takes humanity farther from the liberation such theories were intended to facilitate.[590]

Christianity, on the other hand, helps explain our capacity to make rational decisions. Augustine explains that God, the Creator, made man a rational animal, endowing him with memory, sensation, intelligence, and will. Even after the Fall, God did not take away man's ability to reason.[591] Therefore, human rationality is within God's providence. It is what gives us the certainty that we exist and the notion that we are capable of making rational choices. As a result, we are able to decipher what is good or bad, as opposed to beasts, for example, who are driven by their sensation, or trees, who do not have the ability to love.[592]

Tied to our ability to reason, according to Augustine, is love. As rational beings, while we are able to know what is good, only the person who loves the good, which is God, is justifiably called good.[593] Therefore, it is impossible to divorce any model that assumes

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[589] Christopher Watkin, *Biblical Critical Theory: How the Bible's Unfolding Story Makes Sense of Modern Life and Culture* (Grand Rapids: Zondervan Academic, 2022), 144-45.

[590] Ibid.

[591] Augustine, *City of God*, V. 11.

[592] Ibid., XI: 27-28.

[593] Ibid.

rationality from moral reflections. What this leads to as Augustine notes, is loving that which ought not to be loved, which leads to the outcomes Ellul and Watkin defined above, where God is no longer the efficient cause.[594] In contrast, Christianity, as Watkin and Milbank argue, allows us to calibrate our knowledge of the good and evil against something that is reasonable, but that we are unable to comprehend fully: namely God. This makes the world for the Christian both more intelligible as well as mysterious than the rationalist assumption that humans are perfectly rational beings can.

The final assumption of the rationalist and behavioralist economic models to be evaluated in this study is the premise that, as a free and rational agent, the economic man is driven by the desire to satisfy his preferences or welfare within the constraints of scarce resources. This assumption posits that the economic man places greater reliance on his own values and judgments than on those of his neighbors. According to Friedman, wants are internally generated, desires are real and one's desires are fully transparent and accessible to oneself.[595] Behavioralists on the other hand argue that man does not act in isolation, like a Robinson Crusoe, but considers others and their preferences when making decisions. The fairness and social preferences theory, for example, suggests that utility maximization requires some form of reciprocity. By putting others into consideration and exhibiting fair behavior, people or firms are able to maximize satisfaction/profit in the long-run. George Akerlof notes that firms invest in their reputation to produce goodwill among their customers and high morale among their employees, in order to enjoy increased profit and reduced employee turnover in the long-run.[596]

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[594] Ibid.

[595] Cavanaugh, *Being Consumed*, 9.

[596] George A. Akerlof, A Theory of Social Custom, of Which Unemployment may be One Consequence," *Quarterly Journal of Economics*, 94: 749-75.

The rule of fairness, thus becomes some sort of implicit enforceable contract, where firms that behave unfairly are punished in the long-run.[597]

One of the assumptions implicit in this theory which we can affirm, is that humans are relational beings and are therefore sensitive to the preferences of others, unlike assumptions of the rational choice theory. However, this theory sees the human relationships capable of manipulation in order to maximize satisfaction. Take the employer as an example; he only treats his customers fairly because he knows that by doing so, he retains their loyalty, thereby leading to an increase in patronage. He also knows that by treating his employees fairly, he is able to retain them for a longer period, thus reducing the costs associated with frequent employee turnovers and maximizing profit. But what happens when these acts of fairness do not lead to increased profit or satisfaction in the long-run, even lead to lower profits? Since this theory still operates under the maxim of preference maximization, the employer will have to find a way to maximize profit even if it means that he will have to revert to exploiting his customers or his employees. This is because he is averse to loss. Fairness thus becomes a form of self-centered inequity-aversion, as Ernst Fehr and Klaus Schimdt put it.[598]

Returning to the rational choice model's assumption of utility maximization, modern economists have debated on the interpretation and use of the term *utility*. The debate centers around whether to interpret *utility* as preference satisfaction or actual well-being. That is not the focus of this study; therefore, we will simply interpret *utility* as including both preference satisfaction and welfare/well-being maximization and use the referents interchangeably. The rational choice model assumes that human wants are unbounded while resources are limited.

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[597] Ibid.

[598] See Ernst Fehr and Klaus M. Schmidt, "A Theory of Fairness, Competition, and Cooperation," chapter in *Advances in Behavioral Economics*: 273-296, 272.

Consequently, given these limited resources, humans are expected to make well-calculated decisions on how to best satisfy their welfare. When considered from a biblical perspective, welfare is understood as the condition of being complete and whole: attaining *shalom*. In this context, preference satisfaction can be seen as a means by which this holistic end can be achieved. Brown observes that the rational choice model "recognizes the Judeo-Christian conviction that preference, desire, choice and human aim – while understood and expressed diversely in a pluralistic society – are inescapably linked to human purpose and thus human flourishing."[599]

However, Friedman argues that our wants are internally generated, not influenced by any externalities, and are purely self-interest driven—indeed, selfish. We do not really consider our neighbor's preferences when choosing our preference bundles, neither can we tell our neighbor what to choose or what to desire. In her response to Michael Sandel, Economist Jodi Beggs said: "who in the hell are you to tell people what they should be valuing? Some economists may try to account for tastes, but none of us are presumptuous enough to tell anyone what their tastes should be."[600] Weber sees this as part of the triumph of capitalism—dispelled enchantment, mandated impersonality, and a nullification of the prospect of love.[601] The consumption of goods and services no longer carries any moral significance, "Beauty is now strictly considered based on the eye of the beholder," rather than "the power of the beholder's eye to see beauty,"[602] as argued by Peter Kreeft.

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[599] Brown, "Augustine, Desire and the Moral Significance of Preferences," 9.

[600] Jodi Begg, Quoted in Brown's, "Augustine, Desire and the Moral Significance of Preferences," 11.

[601] Hans Heinrich Gerth and Charles Wright Mills. "Religious Rejections of the World and Their Directions." (2014). Also see, Carraher, "The Enchanted City of Man,"283.

[602] Peter Kreeft, Good, true, and beautiful: C.S. Lewis, Religion and Liberty Only (2015). Retrieved from Acton Institute https://rlo.acton.org/archives/79915-good-true-and-beautiful-c-s-lewis.html

Rational egoism thus leads to pride, which is the source of destruction and greed. With egoism comes undue attachments and love for things of the world, which increases the desire for material things. As these things are desired, our attention shifts away from people and towards satisfying our desires alone. Mathewes notes that these infinite desires, which have increasingly come to govern our handling of the world, lead to a generalized attitude of *consumption* toward the world and those within it.[603] But this consumption, Mathewes continues, is indeed a form of alienation: the realization that no matter how much we consume, we will always want more.[604] With rational egoism, there is no "enough,"[605]leading to a deep well of insatiable wants and restlessness. Brian Fikkert and Michael Rhodes refer to this as "the consume-earn-consume-earn treadmill."[606]

In addition, contrary to Friedman's assertion that our wants are internal, people tend to be more concerned about their consumption relative to the consumption of others rather than their own absolute level of consumption alone. Hence, as some people prosper, it tends to create anxieties for others, pushing them to earn more so that they can consume more in a never-ending competition.[607] This materialism is not limited to the marketplace; it inevitably affects the family unit. Our loved ones become nothing more than objects meant to satisfy our desires. This phenomenon leads Wendell Berry to observe that "in the course of our unprecedented inhumanity toward other creatures and the world, driven by our insatiable desires, we have

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[603] Mathewes, "On Using the World," 198.

[604] Ibid.

[605] McIntyre, *After Virtue*, 137.

[606] Fikkert, Brian and Michael Rhodes. "Homo Economicus Versus Homo Imago Dei." *The Journal of Markets and Morality* 20 (Spring 2017): 101-26, 111-12.

[607] Ibid.

become unprecedentedly inhumane towards humans, and especially towards children."[608] When human desires are infinite, scarcity becomes inevitable, and poverty becomes the outcome: not merely in monetary terms, but even in relationships.

Desire or self-interest is not wrong in itself. This can be seen through the lens of Adam Smith's analogy about the butcher and the baker and theory of sympathy, or even through the lens of Aristotle, who notes that:

> Again, how immeasurably greater is the pleasure, when a man feels a thing to be his own; for surely the love of self is a feeling implanted by nature and not given in vain, although selfishness is rightly censured; this, however, is not the mere love of self, but the love of self in excess, like the miser's love of money; for all, or almost all, men love money and other such objects in a measure. And further, there is the greatest pleasure in doing a kindness or service to friends or guests or companions, which can only be rendered when a man has private property.[609]

The issue arises when our attitude toward material goods is not that of gratitude—accepting that creation itself is a gift and the things in it are to be loved—but one of entitlement or excessive attachment, viewing these goods merely as means to satisfy our desires without recognizing their inherent value and purpose as part of God's creation. While we no doubt owe the running of the market and global economic growth to self-interest, if the power of self-interest crosses certain boundaries, as Sedlacek notes, it can threaten the proper functioning of the market, as discussed above.[610] Egoism appears to be the dominant behavior in all of society, but must be moderated and complemented with love, sympathy and participation, as discussed in chapter 3 of this study through the works of Smith and Augustine.

Recall Friedman's assumption about utility maximization, which suggests that individuals focus solely on maximizing their own welfare without considering the preferences of

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[608] Wendell Berry, *Another Turn of the Crank* (Berkeley, CA: Counterpoint, 1995), 78.

[609] Sedlacek, *Economics of Good and Evil*, 271-72.

[610] Ibid., 272.

their neighbors, at all times and in all situations. If this is true—at all times and in all situations—how do we explain, as McCloskey observes, the actions of a mother who sacrifices her own welfare for the well-being of her children (regarded as the "mother's problem")?[611]

Consider a mother who must choose between buying, with the same amount of money, a gallon of milk to feed her children and a bicycle for ease of transportation, since she has to walk five miles to the store and back whenever she needs to get food. Now, this mother does not need milk at this time—say, t_1. But she does need a bicycle. A bicycle will maximize her welfare at t_1, since she would no longer need to walk five miles to get to the store and back to her house. But at t_1, her children need milk, not a bicycle. Utility maximization for them at t_1 is drinking a glass of milk. This mother cannot watch her children starve, so rather than buying a bicycle at t_1, she instead, gets a gallon of milk. She has chosen to sacrifice her own welfare for the welfare of her children.

This mother's act of benevolence toward her children cannot be explained by either economic model. While the fairness and social preferences theory may argue that this mother sacrifices her welfare at time t_1 for a future satisfaction in say time t_n, it does not capture the deeper motivations of love and selflessness that drive her actions. These motivations are better understood through a lens that considers the intrinsic value of familial bonds and ethical commitments to the well-being of others, which transcends simple economic calculations of utility and preference satisfaction. Augustine helps provide that lens.

Section II:1 Developing an Augustinian Utility Maximization Model

Contrary to Friedman's individualistic-egoistic view, Augustine argues that "others" are actually crucial for our freedom. Rather than internally generated, our desires, according to

[611] McCloskey, "Avarice, Prudence and the Bourgeois Virtues," 315.

Augustine, are social products, formed by a complex and multidimensional network of movements that do not simply originate within the individual self, but pull and push the self in different directions internally and externally.[612] When our desires are turned towards self-preservation, rather than towards God, we experience a "sense of deficit,"[613] according to Tim Keller: an inner emptiness that cannot be satisfied. Even when we decide to turn to improving the welfare of others as a way to fill the emptiness, we soon discover that because such benevolent actions are still driven by the self, the inner sense of emptiness persists. Keller refers to Nietzsche's critique of this kind of act of benevolence as simply helping the needy out of a sense of moral superiority rather than based on an act of genuine service.[614] Such a mindset leads to a desire for more, and this desire for more leads to scarcity.

According to Cavanaugh, modern society's problem is not due to scarcity of resources, but scarcity of contentment.[615] Based on Augustine's reading of *Hortensius*, Cicero's ideal for engaging in public and political life was that of personal self-sufficiency and an awareness that happiness, which everyone seeks, is not found in a self-indulgent life of pleasure, which merely destroys both self-respect and true friendships,[616] but in something higher than the self. Contemplating the paradox that everyone sets out to be happy and the majority in so doing, end up thoroughly wretched,[617] Augustine concluded that our discontent with worldly goods does not stem from a lack of love for them, but instead from loving the things we ought not to more and

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[612] Cavanaugh, *Being Consumed*, 9. Augustine's narration of the pear tree theft in *Confessions*.

[613] Timothy Keller, *Making Sense of God: An Invitation to the Skeptical* (New York, NY: Viking, 2016), 86.

[614] Ibid.

[615] Cavanaugh, *Being Consumed*, 9.

[616] Henry Chadwick, Augustine: A Very Short Introduction (Oxford University Press, 2001), 11 ProQuest eBook Central.

[617] Ibid.

things we ought to less.[618] While we have the freedom of choice, our capacity to choose right is limited by humanity's sinfulness imputed upon us by our first parents. To love worldly goods rightly requires that we are be able to distinguish between "use" and "enjoyment."

This contrast, according to Mathewes, does not distinguish what should be loved from what should not be loved, instead, it is a contrast in how we should value things.[619] For Augustine, the way we value or rank a thing is based on its use. A rich man, for example, will place a low value on a loaf of bread, since he has enough money to buy out a whole bakery. A poor man, in contrast, will value the bread more, since it might be his only meal for days. But how are we able to come up with this ranking of goods? Augustine notes that among all created things, humans are ranked highest, with the cognitive ability to know where other created things fall in the order of creation. The intrinsic value of everything, according to Mueller, becomes simply a degree of *being*.[620] Augustine puts it this way:

> There are, however, other evaluations based on the use to which things are put; and on this basis it often happens that we rank some things that have sensation above some that have sensation…. even though we are aware of their place in nature, we still put our own convenience first. For who would prefer to have food in his house rather than mice, or money rather than fleas? But there is nothing surprising about this. Even in evaluating human beings themselves, whose nature certainly ranks high for its dignity, a horse is often worth more than a slave, or a jewel more than a maidservant.[621]

He goes on to assert that as rational beings, human have the capacity to weigh the different options made available to them. He notes:

> So far as judging freely is concerned, then the reasoning of a thoughtful person is far different from the poverty of a needy person, or the pleasure of a person animated by desire. Reason weighs the things as they are in their own right, according to the grades of the natural order, while poverty considers only what will satisfy its own need. Reason

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[618] Keller, *Making Sense of God*, 89.

[619] Mathewes, "On Using the World," 202.

[620] Mueller, *Redeeming Economics*, 138.

[621] Augustine, *City of God*, XI.16.

> looks for what appears to be true to the light of the mind, while pleasure looks only for what gratifies the senses of the body. In the case of rational natures, however, will and love carry so much weight.[622]

Here, Augustine demonstrates that everything God created is inherently good and intended for our use. He emphasizes that even where vice exists, it is merely a corruption of an initially good nature: "there was first a nature without vice."[623]

Augustine's treatment of utility is therefore similar and at the same time significantly different from that of modern economic theory. While both his theory and the modern economic theory recognize the need to carefully weigh things as they are in their own right, they differ in regard to what constitutes the true end. An Augustinian kind of rational model will direct its reasoning towards that which is good and beautiful, as opposed to modern economic theory which directs it mainly to the satisfaction of pleasure. Hence, Taylor asserts that it is actually our preference for a universal, impersonal order that now seems to us as preference for materialism, because that is the only way we can envision the universal order.[624] But the Augustinian man recognizes the universal order and his place in it, he therefore sees material goods simply as means, rather than ends.

But which things are means and which are ends? Augustine provides the answer in his distinction between "use" and "enjoyment." There have been several interpretations of Augustine's use of the terms "usus" (use) and "frui" (enjoy) in the first book of his *On Christian Doctrine* and in the thirtieth question of his *Eighty-Three Different Questions*. This study, however, will not delve into the various modern interpretations of these terms. Instead, it will focus on interpretations that closely align with what Augustine intended to convey. Additionally,

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[622] Ibid.

[623] Ibid., 17.

[624] Taylor, *A Secular Age*, 595.

a brief mention will be made of an interpretation that misrepresents Augustine's original meaning.

Augustine's conception of *use* and *enjoy* has been misread to mean promoting an instrumental approach to loving one's neighbor. According to an interpretation of Augustine leveled by thinkers such as Hannah Arendt, Anders Nygren, Josef Brechtken, and Kurt Flasch, Augustine's concept of "use" is interpreted as reducing the neighbor to a mere tool, a kind of ladder to be climbed towards achieving one's own perfection. This interpretation presents Augustine as a utilitarian, exploiting his neighbor for selfish gain in the pursuit of hedonistic perfection. This interpretation fundamentally misconstrues Augustine's framework as implying a utilitarian approach, where relationships are instrumentalized for personal advancement, aligning more with a hedonistic pursuit of self-perfection. Two interpretations that closely convey Augustine's intended use of the terms that will be considered for the purpose of this study are those of Oliver O'Donovan[625] and Anthony Dupont.[626]

In Book 1 of *On Christian Doctrine,* Augustine introduces the fundamental differences between the use and enjoyment of a thing. He notes that:

> There are some things, then, which are to be enjoyed, others which are to be used, others still which enjoy and use. Those things which are objects of enjoyment make us happy. Those things which are objects of use assist, and (so to speak) support us in our efforts after happiness, so that we can attain the things that make us happy and rest in them.[627]

Here, Augustine describes how humans are to interact with both created things and the Creator of all things. Recall that in Book 11.16 of the City of God, he already ranked things in their created

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[625] Oliver O'Donovan, ""Usus' and 'Fruito' in Augustine, De Doctrina Christiana I"" *The Journal of Theological Studies* 33, no. 2 (1982): 361-97.

[626] Anthony Dupont, "Using or Enjoying Humans: 'Uti' and 'Frui' in Augustine," *Augustiniana* 54, no.1/4 (2004): 475-506.

[627] *Augustine: On Christian Doctrine and Selected Introductory Works*, edited by Timothy George (B&H Publishing Group, 2022), I.3. ProQuest Ebook Central.

order. The only thing that is not ranked is the uncreated being, who is God. Since humans are within the created order, its relation within creation therefore is that of "use." To "enjoy" on the other hand, "is to rest with satisfaction in the thing for its own sake."[628] According to O'Donovan, God alone, Father, Son and Holy Spirit is the proper object of our enjoyment, all other things are to be used.[629] Augustine puts it this way in *Questions*:

> I mean by *honor* the intelligible beauty which properly we call spiritual, whereas by *usefulness* I mean Divine Providence. Accordingly, though there are many visible beautiful things which are not appropriately called honorable, nevertheless, Beauty itself, by which whatever is beautiful is beautiful, is not at all visible. Again, many useful things are visible. But Usefulness itself, by which whatever is useful is useful to us, and which we call by the name Divine Providence, is not visible. Note well, however, that all corporeal beings are comprehended by the term visible. Therefore, it is invisible beautiful things, i.e., honorable things, that should be enjoyed.[630]

Breaking the objective order in which this distinction is rooted, O'Donovan notes, is vicious and perverse.[631] Augustine notes that "every human perversion (also called vice) consists in the desire to use what ought to be enjoyed and to enjoy what ought to be used. In turn, good order (also called virtue) consists in the desire to enjoy what ought to be enjoyed and to use what ought to be used."[632] However, the only way we are able to comprehend this order, and the distinction within the "use" and "enjoyment" paradigm, is because we are living beings with reasoning faculties. Augustine therefore notes:

> Only a living being possessed of reason can use anything. For the knowledge of that to which each thing must be ordered is not given to beings lacking reason, nor is it given to simple, dull rational beings. Nor can anyone use that which is to be ordered to an end of which he has no knowledge, and no one can know this except he who is wise.

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[628] Ibid., I.4.

[629] O'Donovan, 'Usus' and 'Fruito' in Augustine, De Doctrina Christiana I," 361.

[630] Saint Augustine, *Eighty-Three Different Questions* (Catholic University of America Press, 1982), Question 30. ProQuest Ebook Central.

[631] Ibid., 368.

[632] Augustine, *Eighty-Three Different Questions*, Question 30.

> Accordingly, those who do not use things well are usually and more correctly called abusers.[633]

Based on this, Augustine argues that "this world must be used, not enjoyed, so that the invisible things of God may be clearly known, being understood by the things that are made—that is, that by means of what is material and temporary, we may lay hold upon that which is spiritual and eternal."[634] For Augustine, our knowledge of God enables us to appreciate and participate in the material world appropriately. Since we are endowed with reason, creating undue attachment to the material world, and deriving pleasure and satisfaction solely from it amounts to abusing earthly goods.

Mathewes observes that Augustine's "use" paradigm is not calling us to detach ourselves from the world, but to actively participate in it.[635] He therefore suggests that the "use" and "enjoy" paradigm be understood in light of Augustine's philosophical theology, particularly the conceptual and metaphysical dialectic of God's transcendence and immanence and his participatory ontology.[636] God is transcendent, existing beyond and independent of the material world, yet he is also immanent, present within and intimately involved in his creation – he is precisely the life and truth by which we participate in, and know, existence.[637] This dialectic, Mathewes notes, is also what serves as the metaphysical basis for describing sin both as idolatry and disordered love.[638] The consequences of confusing use and enjoyment are profoundly

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[633] Ibid.

[634] Ibid., I.4

[635] Mathewes, "On Using the World," 205.

[636] Ibid.

[637] Ibid., 206.

[638] Ibid.

detrimental, as earthly attachments can divert the course of charity away from God and towards the self.

As identified above, the object of "enjoyment" is invisible, intelligible and spiritual; what that means, according to Dupont, is that all other things that are bodily and visible are to be used, including humans.[639] Augustine states it this way:

> And so it becomes an important question, whether men ought to enjoy, or to use, themselves, or to do both. For we are commanded to love one another, but it is a question whether man is to be loved by man for his own sake or for the sake of something else. If it is for his own sake, we enjoy him; if it is for the sake of something else, we use him. It seems to me, then, that he is to be loved for the sake of something else. For if a thing is to be loved for its own sake, then in the enjoyment of it consists a happy life, the hope of which at least, if not yet the reality, is our comfort in the present time. But a curse is pronounced on him who places his hope in man.[640]

While this above statement can be mistaken to mean that Augustine was promoting some sort of utilitarianism, he is however quick to provide clarification:

> Accordingly, the perfect reason of man, which is called virtue, uses first of all itself to understand God, in order that it may enjoy him by whom also it has been made. It uses, moreover, other rational living beings for fellowship and nonrational living beings for [a display of] its eminence. It also directs its life to this end-the enjoyment of God, for thus is it happy. Therefore, perfect reason uses even itself and indeed ushers in misery through pride if it is directed to itself and not to God.[641]

For Augustine, our use of other humans should be for fellowship and not exploitation. Humans are not to be used in the same way we will use other earthly instruments. According to Dupont, humans are equals and should seek to build up community. While inter-human relationships have a certain instrumentalist character, that instrumentalism is not that of hedonistic and vulgar utilitarianism.[642] Here, Augustine is far removed from describing man as a self-centered selfish

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[639] Dupont, "Using or Enjoying Humans," 486.

[640] Augustine, *On Christian Doctrine*, I.22.20

[641] Augustine, *Eighty-Three Different Questions*, Question 30.

[642] Dupont, "Using or Enjoying Humans," 486.

egoistic being, as some economic theories might suggest; instead, the use of humans is connected to love. For Augustine, our use of others should be the same way we would use ourselves. He notes:

> Wherefore if you ought not to love even yourself for your own sake, but for His in whom your love finds its most worthy object, no other man has a right to be angry if you love him too for God's sake. For this is the law of love that has been laid down by Divine authority: "You shall love your neighbor as yourself," but "You shall love God with all your heart, and with all your soul, and with all your mind," so that you are to concentrate all your thoughts, your whole life, and your whole intelligence upon Him from whom you derive all that you bring.[643]

O'Donovan observes that in this love-command, not only did Augustine capture the totality of humanity – the heart, mind and soul—he also showed how each part exercises love. According to him, while only the mind has the capability to know the eternal, the other parts of the soul can love the eternal, by virtue of their desire, which is brought into harmony with the mind's knowledge.[644] Just as the heart, soul and mind exercise love towards God, so also do they exercise love towards others and the self, albeit in a lower manner. As a result of this, Augustine notes that we can also "enjoy" our fellow humans, not the same way as we delight in God, but as a way of gratitude for shared fellowship. Using Paul's relationship with Philemon, he describes it thus:

> But when you have joy of a man in God, it is God rather than man that you enjoy. For you enjoy Him by whom you are made happy, and you rejoice to have come to Him in whose presence you place your hope of joy. And accordingly, Paul says to Philemon, "Yea, brother, let me have joy of you in the Lord." For if he had not added "in the Lord," but had only said, "Let me have joy of you," he would have implied that he fixed his hope of happiness upon him, although even in the immediate context to "enjoy" is used in the sense of to "use with delight."[645]

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[643] Augustine, *On Christian Doctrine*, I.22.21.

[644] O'Donovan, 'Usus' and 'Fruito' in Augustine, De Doctrina Christiana I," 372.

[645] Augustine, *On Christian Doctrine*, I.33.37.

According to Dupont, that humans have to "use" their neighbors, does not imply that they are forbidden to "enjoy" their neighbors.[646] Indeed, loving one's neighbor involves enjoying a kind of life-giving fellowship with them. For Augustine, in loving others, we must keep God at the center of our relationships. When we do so, we experience a profound joy in fellowship with others. This joy, while distinct from the ultimate satisfaction derived from a relationship with God, provides us with a foretaste of our eternal enjoyment within the earthly city as pilgrims of the heavenly city. Human delight in one another is ultimately a delight in God, insofar as God is present in each person. The danger arises when what should be "used in delight" becomes the object of delight in itself. This misplaced affection leads to idolatry, resulting in an emptiness that drives an unbounded demand for material goods.

An Augustinian utility model is therefore one that is dependent upon and conducive to the Supreme Utility, which is the divine providence.[647] It is one that connects prudence to providence. It sees the other not as an instrument of exploitation but an instrument of love. Augustine's economic man seeks to maximize love rather than personal utility. This involves delighting in God and using resources, including relationships with others, in ways that honor and reflect divine love. Economic decisions are thus measured by their capacity to enhance communal well-being, rather than merely increasing individual wealth or pleasure. McCloskey notes that in any society, there exist both the sacred sphere and the profane sphere.[648] While the ideal of universal belief in Jesus and adherence to Christian values is a utopian vision, there is a way we can coexist and achieve a measure of *shalom,* if we decide to temper our desires.

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[646] Dupont, "Using or Enjoying Humans," 486.

[647] O'Donovan, 'Usus' and 'Fruito' in Augustine, De Doctrina Christiana I," 372

[648] McCloskey, "Avarice, Prudence, and the Bourgeois Virtues," 321.

Aristotle and Aquinas insist that virtue is the habit of desiring and aiming for the mean between the extremes of excesses and deficiency. This position, according to Christine Hinze, places an understanding and practice of "enough" at the heart of a virtue-centered construal of moral life.[649] It emphasizes cherishing material objects, but in a gratuitous way that shows that we recognize that creation is a gift and therefore, all things in it are a gift we ought to be grateful for. For Augustine, as observed by Lamb, acts of gratitude, worship and service are proper ways to acknowledge our dependence on others, especially God.[650] Mathewes therefore observes that, the real problem with the market economy is that we have no grasp of the real meaning, not of "use," but of joy, enjoyment and happiness.[651] Most often, we take "joy" to mean having more of something and thus assign infinite value to finite things. But joy is not about deriving earthly pleasure and amusement from frivolities; rather, it is a deep delight in the inexhaustible and endlessly valuable end, which is God.

An Augustinian utility model calls us to treat our neighbor as ourselves. McCloskey sees this as an imaginative leap which Adam Smith refers to as the impartial spectator.[652] For as long as we are humans and we live among other humans, we live and operate in communities of virtue, whether economists accept this or not, it is reality - any economy depends on ethical behaviors to survive. Therefore, as McCloskey suggests, prudent, market-oriented, capitalist behavior, within a balanced set of virtues, is not merely harmless, it is virtuous.[653]

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[649] Christine Firer Hinze, "What is Enough?" Chapter in *Having: Property and Possession in Religious and Social Life* eds. William Schweiker and Charles Mathewes (Grand Rapids, MI: Eerdmans, 2004): 162-88, 176.

[650] Lamb, *Commonwealth of Hope*, 249.

[651] Mathewes, "On Using the World," 212.

[652] McCloskey, "Avarice, Prudence, and the Bourgeois Virtue," 317.

[653] Ibid., 319.

McCloskey is not alone in this line of thought; Lamb notes that if civic virtue is properly ordered toward proximate good that is compatible with the ultimate end, then it assumes a morally correct, albeit incomplete, conception of the ultimate end and can be counted as a genuine, though incomplete, virtue.[654] The only thing about such virtue, Lamb notes, is that it may lead to pride and lust for domination, as Augustine cautioned. Yet this does not mean that these virtues ought not to be recognized and appreciated. Indeed, they form a basis for Christian engagement in the market economy. However, Hinze argues that when people seek with ultimate ardor, ends that are not the "Chief Good," virtue becomes counterfeit, and sin and unhappiness results.[655] According to her, "the person or group striving to live and do well is always liable to a slippage of moral gears, whereby the human capacity to desire "more" in an unbounded way, gets interpolated into dynamics of desire for limited, bounded goods."[656] Lamb, however thinks that there is still the possibility of civic virtue, even though it is incomplete virtue. While true virtue can only be found in God, Lamb thinks Augustine's treatment of piety can accommodate "natural or human charity."[657] He notes: "Augustine's discussion implies that friends can express piety toward both Christians and non-Christians who do them a kindness and that non-Christians can express a genuine, if incomplete, virtue of piety in return. Indeed, they would be "blameworthy" or "despicable" if they did not."[658]

While their actions cannot be regarded as praiseworthy, as Augustine, Lamb and even Smith will argue, such virtues should however still be recognized. Lamb notes that those who

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[654] Lamb, *Commonwealth of Hope*, 241.

[655] Hinze, "What is Enough?" 177.

[656] Ibid.

[657] Lamb, *Commonwealth of Hope*, 254.

[658] Ibid., 253.

gratefully acknowledge their dependence on others will more likely form relationships of love, trust and friendship with family, friends and even strangers.[659] Their acts of benevolence will not to be to assert superiority over others, as Nietzsche posits or manipulate others, as the fairness and social preferences theory opines, but instead will seek nothing in return. Indeed, these acts might even lower their ability to satisfy their own preferences. As C.S. Lewis noted, "if our charity do not at all pinch or hamper us, I should say they are too small. There ought to be things we should like to do and cannot do because our charitable expenditure excludes them."[660] While the fairness and social preferences theory, for example, argues that people do not seek uniformly to help other people but help according to how generous other people are,[661]the Augustinian utility model views every human engagement not as transactional but as an act of charitable giving.

What might an Augustinian utility actually look like in practice? As McCloskey had noted, creating a model that reflects what "human" really means will involve an interdisciplinary collaboration, merging insights from economics, psychology, philosophy, and theology to develop a framework that measures and analyzes economic behavior in such a way that transcends the traditional utility maximization as well as the behavioralists' theories. This will require creating a framework where decisions are evaluated not only to derive economic efficiency, but also for their alignment with a hierarchy of moral values. It will involve defining

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[659] Ibid.

[660] C.S. Lewis, "Mere Christianity," Chapter in, *The Essential C.S. Lewis*, Lyle W. Dorset, ed., (New York, NY: Scribner, 1988): 309-325, 318.

[661] Matthew Rabin, "Incorporating Fairness into Game Theory and Economics," chapter in *Advances in Behavioral Economics* (New York, NY: Princeton University Press, 2004): 297-325, 297. "Indeed, the same people who are altruistic to other altruistic people are motivated to hurt those who hurt them. If somebody is being nice to you, fairness dictates that you be nice to him. If somebody is being mean to you, fairness allows – and vindictiveness dictates – that you be mean to them."

a hierarchy of preferences and assigning weights to such preferences based on their perceived moral significance, and making decisions based on some sort of moral evaluation function that assesses the impact of one's own action on the action of others or the impact of one's own wellbeing on the wellbeing of others.

A practical application of the Augustinian utility model might involve a business deciding between higher profit margins and fair treatment of its employees. The fairness and social preference theory might suggest that the employer treats employees fairly, only to the extent that it leads to profit maximization. The Augustinian model, on the other hand, would advocate for fair treatment based on the intrinsic value and dignity of the employees, emphasizing charitable love and the common good over mere profit. While this Augustinian inspired model will require rigorous theoretical development and practical adjustments to real world scenarios, this model may at least, open the opportunity for theology or Christian ethics to begin interacting with economics on a theoretical basis. Some challenges with this model might be how to determine the moral weights. The implication of different actions can also be highly subjective and culturally dependent. In addition, one will have to determine, from a broad range of ethical considerations, which ones to include in the model and which ones should not be included, which becomes highly complex and subject as one has to rely on discernment and judgment. In any case, this model opens up the opportunity for further research in developing a model that speaks not only to maximizing utility but also deriving spiritual satisfaction, albeit incomplete, from using material goods.

Conclusion

The consideration for moral reflection, while rare in the rational choice model, has begun to receive attention for some years now. Economists and philosophers such as John Harsanyi attempt to explain individual moral preferences in the context of utility theory.[662] By synthesizing the works of Hume, Smith, and Bentham, he tried to distinguish between what individuals want for themselves and what they think is morally right for society.[663] According to him, decisions should be made from an impartial perspective referred to as the "impartial observer theorem."[664] Based on this theorem, moral preferences are determined by considering what an impartial observer would choose if they had to decide without knowing their own position in society. Like John Rawls' "veil of ignorance" in "Theory of Justice," Harsanyi posits that a choice is morally right or defendable to the extent that the decision maker acts as if he does not know whether the costs and benefits that follow from his decision will affect him or any other members of society.[665] Harsanyi tried to develop an expected utility formalization of morality by arguing that moral preferences should aim to maximize the overall utility or welfare of society. Therefore, like Mandeville and Bentham, he argued that an individual's moral preferences should align with the principle of the greatest good for the greatest number, irrespective of how that good is achieved.

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[662] John Harsanyi was a recipient of the Nobel Memorial Prize in Economic Sciences in 1994. Best known for his work in game theory and its application to economics.

[663] See John C. Harsanyi, "Cardinal Welfare, Individualistic Ethics, and Interpersonal Comparisons of Utility," *Journal of Political Economy*, 63, no.4 (1955): 309-321. See also Essays on Ethics, Social Behavior, and Scientific Explanation, vol. 12 (Springer Science & Business Media).

[664] Harsanyi, "Cardinal Welfare, Individualistic Ethics, and Interpersonal Comparisons of Utility."

[665] John Rawls, "A Theory of Justice," Chapter in *Applied Ethics* (Routledge, 2017): 21-29; Caspar G. Chorus, "Models of Moral Decision Making: Literature Review and Research Agenda for Discrete Choice Analysis," *The Journal of Choice Modelling*, 16 (2015): 69-85, 70.

While Harsanyi was trying to incorporate the moral dimensions of choices into the rational choice theory, Becker, previously discussed in this study, argued that every form of decision should be based strictly on cost-benefit analysis, including familial relationships. According to Becker, all human actions can be understood through the lens of utility maximization because people make decisions by weighing costs and benefits to maximize their utility.[666] As discussed in chapter four, even seemingly altruistic behaviors, such as engaging in charitable giving, are driven by utility maximization. Becker then extends this utility maximization framework to criminal behaviors and treats it as a rational decision made by a prospective criminal.[667] He argues that a person contemplating a crime conducts a cost-benefit analysis involving analyzing the potential gains from committing the crime and the potential cost associated with the crime calculated as the probability of getting caught multiplied by the severity of the punishment (disutility). The person then makes a trade-off decision. For example, if the perceived rewards of the crime exceed the anticipated risks and consequences, then the individual may proceed with the criminal act. According to this model, criminal behavior is not simply a result of irrational impulses or moral failings but can rather be understood as a rational response to incentives and deterrents.

In response to the limitations of rational choice theory, behavioral economics initially aimed to address its psychological blind spots. However, it ultimately depicted psychology as the source of irrationality in human behavior. Inspired by Tversky and Kahneman's heuristics and biases program of the 1970s, behavioral economics sought to highlight the various ways in which the rational choice model diverged from actual human cognition. Subsequent

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[666] Gary Stanley Becker, *The Economic Approach to Human Behavior* (University of Chicago Press, 1976).

[667] Gary S. Becker, "Crime and Punishment: An Economic Approach," *Journal of Political Economy* 76, no. 2 (1968): 169–217.

behavioralists such as Camerer, Thaler, and Sunstein attempted to incorporate additional parameters into utility maximization theories to account for these deviations. For example, Thaler and Sunstein argued that people's choices, even in life's most important decisions, are influenced in ways that would not be anticipated in a standard economic framework, necessitating subtle government intervention by way of a "nudge" kind of policy called *libertarian paternalism*.[668]

In this kind of paternalism, Gerd Gigerenzer notes that government tries to use nudges that exploit people's cognitive deficiencies in order to steer them toward proper behavior.[669] According to Gigerenzer, rather than using these nudges, one must recognize that moral decision-making is the result of an interplay between mind and environment.[670] Therefore, moral behavior is based on satisficing and rarely based on maximizing.[671] Rather than government creating nudges to improve moral behavior towards a given end, changing environments can be a more successful policy.[672] Gigerenzer argues that behavior needs to simply be studied both in social groups and in isolation, in natural environments and in labs, rather than trying to change beliefs and inner virtues.

Even with behavioralists who attempt to consider moral reflections in describing human choice behaviors, *homo economicus* continues to be regarded as the standard ideal. This makes libertarian paternalism, moral satisficing, or other behavioralist theories discussed in this study

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[668] Richard H. Thaler, and Cass R. Sunstein, *Nudge: Improving Decisions about Health, Wealth and Happiness* revised and exp. Edition, (New York, NY: Penguin, 2009).

[669] Gerd Gigerenzer, "The Bias Bias in Behavioral Economics." *Review of Behavioral Economics* Vol. 5: No. 3-4 (2018): 303-336, 305.

[670] Gerd Gigerenzer, "Moral Satisficing: Rethinking Moral Behavior as Bounded Rationality," *Topics in Cognitive Science*, 2(3), (2010): 528–554.

[671] Ibid., 529.

[672] Ibid., 530.

such as the fairness and social preferences theory aimed at protecting people from their own irrationality rather than market imperfections. The idea is that protecting people from their own irrationality will lead to better decision-making outcomes, enhancing individual welfare and promoting more efficient and equitable market operations. When individuals recognize that their choices have moral dimensions, they are more likely to consider the ethical implications and outcomes of their actions.

This recognition, according to Donelson R. Forsyth and Judith L. Nye, can lead to more socially responsible behavior such as ethical consumption, fair treatment of employees, and environmentally sustainable practices.[673] They argue that there is a need to activate moral reasoning as a precursor to ethical decision-making and behavior. They emphasize that moral reasoning serves as the foundation for ethical decision-making. Without engaging in moral reasoning, individuals are less likely to recognize the ethical implications of their actions and may default to self-interest or convenience. A way to activate people's moral reasoning is by creating environments and contexts that encourage ethical reflection. This can be achieved through education, training programs, and organizational cultures that prioritize ethical considerations.[674] Jonathan Haidt, however, argues that moral emotions and intuitions, rather than moral reasoning, are the primary drivers of moral judgment and decision-making. In this idea, individuals typically form moral judgments quickly and automatically based on their intuitive responses. Moral reasoning, in this view, is often a post hoc process employed by individuals to justify and rationalize the judgments they have already made intuitively.[675] This

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[673] Donelson R Forsyth, Judith L Nye, Personal Moral Philosophies and Moral Choice, *Journal of Research in Personality*, Vol. 24 4 (1990): 398-414.

[674] Ibid., 410-12.

[675] Jonathan Haidt, "The Emotional Dog and its Rational Tail: A Social Intuitionist Approach to Moral Judgment," *Psychological Review* 108(4) (2001 Oct):814-34.

process of rationalization, according to Haidt, helps individuals defend their judgments to themselves and others, but it is not the primary driver of their moral conclusions. Haidt, like James K. A. Smith, understands that humans are not solely reasoning beings but are also emotional and desiring beings. This necessitates a holistic view of human nature when discussing human choice behaviors.

This holistic approach that speaks to what "human" truly means is essential for economic analysis. Noell and Halteman note that unless a more holistic approach to economic analysis becomes part of the economists' tool kit, the social and cultural richness that comes from a contextual, historical, and interdisciplinary methodology will continue to be lost, and our understanding of how the social order evolves will continue to be lacking.[676] McCloskey emphasizes that for economics to truly address human behavior, it must integrate back into the discipline contributions from philosophy, literature, theology, history, and other related social sciences.[677] However, the question remains: why has theology not had as significant an impact on the field of economics as psychology since theology has a better explanation for human behavior? Hirschfeld identifies three approaches through which theology attempts to converse with economics and evaluates which approach seems most effective. Referring to three categories developed by D. Stephen Long, she observes that theology has historically either had to bend to economics, allowing it to lead the way, or consider each discipline as having its own distinct sphere of influence.[678] The problem with the first approach according to her is that it often results in theology being perceived as less relevant or merely supportive of economic principles rather than offering a robust critique or alternative perspective. The second method,

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[676] Noell and Halteman, *Reckoning with Markets*, 135.

[677] McCloskey, *Bettering Humanomics*, 9.

[678] Hirschfeld, *Aquinas and the Market*, 10-14.

though it maintains the integrity of both fields, risks creating a disconnect where the potential for interdisciplinary enrichment is overlooked.[679] The third approach that Hirschfeld and Long considers promising involves an integrative dialogue where theology and economics inform and enrich each other. In this model, theological principles and economic theories are brought into conversation with an openness to critique and mutual learning. This approach acknowledges the complex interplay between moral, spiritual, and economic dimensions of human life, aiming toward a holistic understanding that can guide ethical decision-making in economic practices.[680] That is what this study has attempted to do. The purpose of this research was not to suggest eliminating existing theories. Instead, it proposed a biblical model through Augustine where theology can enrich economic discourse.

While the Bible does not give a detailed blueprint for constructing an economy in the contemporary times, it does call Christians to improvise on the narrative, principles, and practices of the kingdom of God in all aspects of our lives, including economics. Such improvisation, according to Fikkert, requires God's people to resist being transformed into *homo economicus.* Rather, they should be transformed into the image of Christ who is the exact representation of God's being, the ultimate *homo imago Dei*.[681] Therefore, with an integrative approach, rational choice and behavioral theorists recognize the relational dimension of humans and how those shape economic behaviors. By understanding that being a human involves loving the other person as yourself, as Augustine shows, economic choices and desires become less focused on efficiency and more focused on sacrifice. They involve loving others, even those we do not know, with human charity and sharing a common love for good. Milbank notes that this is

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[679] Ibid.

[680] Ibid., 17-22.

[681] Fikkert, "Homo Economicus Versus Homo Imago Dei," 103.

not some form of magnanimity but instead a mode of being.[682] It is the point where our default setting is not to continually maximize our own satisfaction but that of mutual benevolence. At this point, efficiency is no longer simply focused on preference satisfaction. It is instead intricately bound up with human excellence and fulfillment where we do not just pursue and consume whatever we want, but we desire as we ought to. The market then operates not based on prudence alone, but on providence and prudence.

The question, however, is how this can be achieved. Fikkert observes, like Charles Taylor, that the stories a community tells shape the community's understanding of what constitutes the good life.[683] This metanarrative directs the community toward a common goal.[684] However, to live out that goal requires embodying the story, and this can only be achieved through formative practices. These practices are then embodied in a community's institutions and policies which order the community. But where does the narrative that leads to the order come from? Augustine says it comes from the conscious choices of humans. Wherever the choice or desire is directed determines the nature of the narrative a community's *telos* will be ordered towards. The modern economy is directed towards the pursuit of more material goods as a way of deriving satisfaction and happiness. Unfortunately, the church has also bought into this materialist narrative, forgetting that implicit in the practices of Christian worship is an economy, a sociology, and politics.[685]

Achieving an integrative dialogue between economics and theology will require the church to develop practices that transform and shape moral intuitions and moral reasonings

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[682] Milbank, *Theology and Social Theory*, 363.

[683] Fikkert, Fikkert, "Homo Economicus Versus Homo Imago Dei," 105.

[684] Ibid.

[685] James K.A. Smith, *Awaiting the Kingdom: Reforming Public Theology* (Grand Rapids, MI: Baker Academic, 2017), 54.

toward desiring the good. It will require transforming people from rational optimizers into worshippers who acknowledge that all earthly goods are gifts from God that should be accepted and used with gratitude. According to Milbank, as worshippers, we give everything back to God, hanging onto nothing, and this helps disallow any finite accumulation which always engenders conflict.[686] Becoming worshippers thus emphasizes the need for Christian liturgies that shape desires and habits such as celebrating the Eucharist, singing hymns, saying prayers, and sharing part of our material possessions with others. As James K. A. Smith notes, it requires becoming a people marked by a desire for God's coming kingdom.[687] According to Eugene McCarraher, the ritualized sacraments of the church, especially the Eucharist, are unique bearers of God's presence and efficacious "means of grace" which cultivate our receptive expectations.[688]

According to McCarraher, proper worship and recognizing the mark of God require us to enter the church, the earthly, social manifestation of the heavenly city, whose fullness awaits us. The church, as an anticipatory community, offers a sacramental view of creation and performs liturgies that help us desire rightly and practice charity.[689] The church thus transcends from being merely a spiritual community to becoming both a polis and an oikos. Its way of life, if followed seriously, can have a revolutionary impact on economic analysis. McCarraher writes, "Since men and women, created in God's image and likeness, are irreducibly social beings – the anthropological implication of Trinitarian doctrine – then their exchanges of goods and services within "the restoration being" must reflect a conviviality, a joy in creativity, and a lack of

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[686] John Milbank, *The Word Made Strange: Theology, Language, Culture* (Oxford, England: Blackwell UK, 1997), 225.

[687] Smith, *Desiring the Kingdom*, 186.

[688] Eugene McCarraher, "The Enchanted City of Man: The State and the Market in Augustinian Perspective," chapter in *Augustine and Politics*, 270.

[689] Ibid.

concern for accumulation that rests on the assurance of abundance."[690] As Smith notes, "If we truly love our neighbors, we will bear witness to the fullness to which they are called. If we truly desire their welfare, we should proclaim the thickness of moral obligations that God commands as the gifts to channel us into flourishing, and labor in hope that these might become the laws of the land, though with appropriate levels of expectation."[691]

A biblical choice model thus requires that we love God and participate in His ongoing work here on earth by loving our neighbors, aligning our actions with the divine will, and fostering a community characterized by justice, compassion, and mutual care. An Augustinian model offers a profound reimaging of economic behavior that is rooted in biblical and philosophical insights. Diverting from prevalent economic theories, an Augustinian choice model places divine providence and the pursuit of the common good at the core of our economic choices. It integrates both prudence and providence, charity and communal well-being, emphasizing holistic human engagement and prioritizing ethical and spiritual fulfillment over satisfaction of personal preferences. An Augustinian model explains why humans are free rational agents, and it recognizes that freedom of choice alone does not make us free because we were created to aim, pursue, and intertwine our faculties in communion with our creator.[692]

Therefore, an Augustinian choice model does not call us to eliminate our love for earthly things out of our love for God. Instead, it calls us to seek and enjoy the blessedness of God and to love earthly things, including our self and others not for their own sake but for God's sake. When we enjoy earthly things in God, we can desire rightly, love what is truly good, and experience genuine satisfaction, freedom, and human flourishing/welfare. A life ordered around

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[690] Ibid.

[691] Smith, *Awaiting the Kingdom,* 163.

[692] Brown, "Augustine, Desire, and the Moral Significance of Preferences," 18.

God, as Augustine has shown in his works and as was discussed in this study, can only birth ordered loves and desires.

Implementing an Augustinian choice model will require cultivating habits and practices that shape moral intuitions and reasoning, and the church plays a crucial role in fostering these practices by guiding individuals to align their economic behavior with the principles of love, justice, and stewardship. It overcomes greed and the lust for domination and invites non-Christians to recognize the value of a life oriented toward communal well-being and ethical integrity. It encourages all individuals, regardless of their faith, to engage in economic activities that promote the common good, respect the dignity of every person, and contribute to a more just and compassionate society. For the believer, it reminds us that our hope is ultimately in God, and our economic actions should reflect our faith and commitment to Christ's teachings. As McCarraher writes, "We can see in the hunger for riches, a sacramental longing and even in late capitalism, the grandeur of God, therefore, the first true thing we can say to our time is that it is wrongly but redeemably enchanted."[693] An Augustinian model calls us to live out the values of the kingdom of God in our daily lives, emphasizing that true fulfillment and prosperity come from aligning our choices with divine will and participating in God's ongoing work of love, justice, and restoration in the world.

[693] McCarraher, "The Enchanted City of Man," 289.

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Appendix

Mathematically, an Augustinian utility model may look something like this:

Step 1: Defining Variables

- Let P be the profit of the business without implementing a fair employee treatment practice.
- Let C what it will cost the business to implement the practice.
- Let MU be the Augustinian moral utility derived from adhering to the practice.
- Let E be the economic utility that will then be derived if the practice is implemented.

Step 2: Assigning Weights

Assume we assign weights w_a and w_e to reflect Augustinian moral utility and economic utility of the business. These weights reflect how important each of the utilities are to the decision-making process of the business. A higher weight to either or of the utilities determine how much of the other will be obtained.

Step 3: Utility Function

We can derive a utility function from the above. The economic utility function can be represented as

$$U_e = P - C$$

where U_e is the total economic utility and $P - C$ is the amount of profit that will be left after fair employee practice has been implemented. The Augustinian morality function can be represented as

$$U_a = f(C)$$

where f (C) is an increasing function showing that higher costs lead to higher moral utility.

Step 4: Aggregation

Aggregate the utility functions. The resulting function U will take into account both economic and moral factors:

$$U = w_e U_e + w_a U_a$$
$$U = w_e (P - C) + w_a f(\mathrm{C})$$

Step 5: Generate the Optimal Cost

Generate the optimal cost C* to allocate to fair employee practice by taking the derivative of U with respect to C and setting it to zero:

$$d\mathrm{U}/d\mathrm{C} = - w_e + w_a f'(\mathrm{C}^*) = 0$$
$$w_a f'(\mathrm{C}^*) = w_e$$
$$\mathrm{C}^* = f'^{-1} (w_e / w_a)$$

To simplify the function, assume $f(\mathrm{C}) = k \log (C + 1)$, where k represents a positive constant that scales the Augustinian utility:

$$\mathrm{U}_a = k \,.\, \log(\mathrm{C} + 1).$$

Then

$$\mathrm{U} = w_e (\mathrm{P\text{-}C}) + w_a \,\mathrm{k} \log(\mathrm{C} + 1)$$

and taking the derivative to find the optimal cost,

$$d\mathrm{U}/d\mathrm{C} = - w_e + w_a \,\mathrm{k}/(\mathrm{C}^* + 1) = 0$$
$$w_a \,\mathrm{k}/(\mathrm{C}^* + 1) = w_e$$
$$\mathrm{C}^* + 1 = w_a \,\mathrm{k}/w_e$$
$$\mathrm{C}^* = w_a \,\mathrm{k}/w_e - 1$$