

RELATIONAL MARKET ECONOMICS

by Michael Schluter

Introduction

There is a growing ideological vacuum in Eastern Europe. The social market economy practised by Western societies seems inextricably linked with social breakdown measured in terms of divorce, child neglect and loneliness of the elderly. At the same time, the collectivist models of Marxism and Socialism have been shown as unworkable in terms of their economic productivity. There is therefore an opportunity for Christians to present an alternative framework to fill this vacuum. It cannot be explicitly Christian if it is to command the support of the majority in plural societies, but at the same time it must provide a system which is entirely consistent with Christian values and presuppositions. This paper is an attempt, after 17 years of research, to set out such an alternative.

The theological starting point

In seeking a coherent Christian vision for political economy, we looked first at Kingdom ethics in the Sermon on the Mount and other New Testament teaching. However, this provided little help or guidance for the formulation of economic policy, and its principles seemed more relevant to the organisation of the Church than the State. Kingdom ethics require the presence and work of the Holy Spirit and therefore are inappropriate for application in a plural society.

A more appropriate starting point seems to be the Old Testament Law, as Jesus points back to the Law in the context of discussing his disciples being in the tradition of the Prophets and acting as salt and light in society (Matthew 5:11-20). Chris Wright has argued that it is possible to regard the Old Testament Law as a social paradigm¹, and more recently

¹ Christopher J.H. Wright, Living as the People of God, IVP, 1985

Tom Wright moves in the same direction when he suggests that Christians should work in the world on a similar basis as Jesus worked within Israelite society.² While it is essential to sort out the ceremonial from the moral/civil aspects of the Law, there is growing recognition in theological circles of the ethical relevance of the Old Testament for application in society at large. Israel is a model not just for the Church but also, in certain key respects, for the State.

The over-arching theme, the central principle of the Law, is love. Jesus is asked which is the greatest Commandment and His answer is that we should love the Lord our God with all our hearts and minds and strength, and the second Commandment is similar to it, that we should love our neighbour as ourselves. He goes on to say that the whole of the Law and the Prophets hangs on these two Commandments (Matthew 22:34-40). At several other points in the New Testament, the writers insist that love is the fulfillment of the Law (e.g James 2:10)

Love is a quality of relationships. Jesus is emphasising that it is the quality of our relationships which is the key interpretive principle to use in understanding the whole of the Old Testament. It is the primary criterion by which to evaluate public policy as well as our personal life style.

This emphasis on relationships should hardly be surprising to the Christian. God is a relational being. God is a Trinity of persons in relationship to one another. As Broughton Knox says in his book, *The Everlasting God*:

" The fact that God is Trinity shows that personal relationship is basic reality, that is, that there is nothing more ultimate than personal relationship. Being, considered in itself, is an abstraction. Ultimate, true and real being, is and always has been, being - in - personal - relationship"³

Human beings are made in the image of God so they are also relational beings. In Genesis 1:27 we find that when God made man in His own image, He made them male and female. It was necessary that human beings would also be made plural and in relationship if they were to be patterned after the Godhead.

² Tom Wright, *New Tasks for a Renewed Church*, Hodders, 1992

³D. Broughton Knox, *The Everlasting God*, Lancer Books, Australia, 1988, pp 129-146

Jesus remains the centre of this relational thinking. He is the pattern for all human relationships. Paul emphasises in the Epistles that Christians are to be conformed to the image of Christ (Romans 8:29), and that we are, as Christians, to be transformed into His likeness (2 Cor. 3:18). We are not to be like Jesus in terms of His being a carpenter, or born in Nazareth, or a Jew; we are to be like Jesus in the pattern of His relationships, both with God and with other people.

So there is a sound theological basis for taking relationships as the central goal of our system of political economy, as in all other areas of life. We shall now move on to consider Relationism as a political philosophy and then to consider how this relational emphasis impacts on the way that we carry out economic analysis and construct a system of political economy.

Relationism as a political philosophy

Neo-classical economics rests heavily on individualist pre-suppositions. Clearly there is great value in this individualist approach as a bulwark against State power. However, recently there has been a growing recognition, even among liberals, that there is a need to create bonds which go beyond the individual. Dahrendorf puts it like this:

"In the free societies of the OECD world, the task of the liberal has to do with that most vexing of social objectives, building ligatures, encouraging the creation of norms, reconstituting the social contract."

It is most striking that this should be said by a liberal. Concern for freedom and choice leaves little room for obligation. Social contract is about as close as you can get.

Professor Marquand has pressed for voluntary associations as the key to "community". Voluntary associations are fine as long as you are OK. You benefit from them, whether they are lawyers' associations, City Guilds, the local bridge club, or even the Association of Christian Economists! The advantage of a voluntary association is that if you don't like it you can opt out. However, if you are not OK, if you are poor or disabled or elderly, then voluntaristic association looks fragile as a basis for community. Who is going to bother to help you or look after you when you are unable to look after yourself? All of us

get to the point of depending on other people eventually as we get old. It is then that we realise how precarious this form of community can be.

Relationships are the key to our well-being. Like breathing, the stuff of life is our relationships. And relationships determine our well-being. Ask people what they most value in life. They will not generally answer "my car, my book, my published journal article". Most will answer in terms of "my family, my wife, my children". People generally point to relationships, not to material items, as the most important things in their lives.

It is possible to think of every individual having a Relational base. This consists of those in closest relationship to them who are generally in the family or the locality. They determine a person's relational well-being - whether the person feels at one with the universe, how well he or she performs in employment, education or child raising, how well he or she gets through a crisis.

There is a problem of defining what is a "good" relationship. Unless you assume a Christian understanding of "good", it is difficult to define. However, in cultures influenced by the Judaeo-Christian tradition there is still convergence around values like fair play, trustworthiness, honesty, respect for dignity, honour, courtesy and commitment. These values are also crucial to the economic system. You can have all the accounting paraphernalia you like and not catch a Maxwell. As Robinson comments, "Honesty is much cheaper".

So for an effective political and economic system, you need some balance between individual freedom to pursue our own interests and linkages to the group which give security, collective benefits and meaning. Western societies are heavily skewed towards the latter. So the next question is, What factors build good relationships? What promotes "knownness"? What helps to produce intimacy and depth of encounter? We suggest five aspects of relationship are important. These are as follows:-

- (a) Directness. The importance of face to face encounter. To give just one example, seeing starving Africans on the T.V. is not the same as walking through the camp yourself on foot.

- (b) Continuity. This refers to the importance of knowing someone in the ups and downs of life. Over time we get to know someone much more deeply.
- (c) Multiplexity. This refers to seeing somebody in a number of different roles and situations to get to know them more fully. When you go to your work colleague's home you learn a great deal more about them than if you only observe them in the office.
- (d) Parity. This is not the same as equality. It refers to an approximate evenness in the amount of power being wielded on both sides of a relationship. Without parity there is a tendency for the powerful to manipulate and the weak not to tell the whole truth.
- (e) Commonality. This refers to common purpose. When individuals can identify a common goal, it will tend to draw them together and deepen their relationship.

These five characteristics of relationships can be seen to be promoted in the way society was organised in Old Testament Israel. The Jubilee Laws on land promoted rootedness and thus helped to develop continuity, integration and directness in human relationships. The fact that every family owned some land, and that there was some rough fairness in the amount of land owned between all the different families, pointed towards parity as a general principle in relationships in Israel.

In the same way, the interest ban points to the importance of directness in human relationships. There were not capital markets to divide saver and borrower. The interest ban prohibited the accumulation of capital in a few hands. The political system also pointed towards parity, with the central state having a very limited role. Power was widely diffused in localities and regions.

Western societies have encouraged what we call the "mega-community" which tends to emphasise the opposite of these four values. There is a lack of direct encounter, as people increasingly rely on the telephone and the fax to communicate rather than face to face contact. There is a lack of continuity in relationships due to high levels of mobility. There is a lack of integration in relationships owing to the size of the urban environment and the choice of facilities which any individual can use. And there is a lack of parity increasingly apparent as economic and political power become concentrated in larger and larger units.

The end result is "contingent relationships" rather than "encounter relationships". And the result of this in turn is an absence of trust, which undermines the operation of the economic system as well as individual well being. Money is no substitute for relationships. Money can't buy you love.

The goal of the economic system

In a Relational framework, the next question to ask is: What is the goal of the economic system? There are three possibilities which we are currently considering, and we have not yet finally determined which is the most appropriate. I list all three:-

- (a) To support the Relational base of all individuals - i.e. to sustain family and locality relational linkages. Obviously economic growth and income are necessary to allow communities and families to subsist. A role for economics in a minimalist sense can be defined in this way.
- (b) To maximise economic growth subject to a relational constraint.
- (c) To build economic growth on relational foundations.

In my view, the third alternative comes closest to the biblical model. Once certain key parameters have been put in place - as with the Jubilee Laws and interest ban in the Old Testament - then it seems legitimate to pursue economic growth objects within the framework provided by these parameters. However it is possible that I am under-estimating the importance of the overall value system inculcated into every citizen in the Old Testament which would also have mitigated the worst effects of the pursuit of wealth by the individual.

In what ways does the social market economy threaten relationships?

There is every evidence that the social market threatens relationships on a very broad scale. Certain trends are common across all the countries in the EC, as well as the United States, including growth in the divorce rate, growing numbers of children born outside marriage, and growing loneliness among elderly people. There is also the growing importance of the legal profession in mediating all forms of relationships, whether in family or commerce. These common trends suggest that the social market economy is a contributory factor in social breakdown and raises the questions of the mechanisms by which the social market

economy undermines family and community relationships. I would like to suggest five ways in which I think this takes place:-

- 1) The failure to appreciate the significance of property as more than a category of capital. Leonard Weber summarises the Western view of property in his book on the American Land crisis:-

"The value of land is determined almost completely by its role in the market system. Land, like any other resource, is worth only what you can get for it. It is worth what you can do with it or perhaps to it; its value is what you can sell it or its products for. In this ethical system land has value precisely as property. Land is not considered good in and of itself; it is good only if it is good for something. Its value is instrumental not intrinsic."⁴

Such a view of property is in sharp contrast to biblical thinking. In the bible land is considered crucial for roots. There is a close link between land and community. This is institutionalised in the Old Testament through the Jubilee legislation. This is crucial for both directness and continuity of relationships. Also in biblical thinking land is not individually owned. There is not a strict form of private ownership as Brian Griffiths and others seem to suggest. Under the Jubilee system, there was joint ownership of the land by the family, and the local community also had some stake in the ownership and distribution of land (see Numbers chapters 27 & 36). The local community even had the right to walk over other people's land and pick the growing crops as long as they didn't use a basket (see Deut. 23:24-25).

Thus, a society's understanding of property is crucial in determining the shape of that society. Bruce has pointed this out very cogently:-

"Choices (of land tenure models) are fundamental in determining the shape of society, and are in practice determined more by reference to basic values, ideology, and political survival than by reference to technical factors. A free enterprise economy requires certain things of its land tenure system; a socialist economy has quite different requirements, and a society seeking to conserve traditional values will have yet other priorities. The land tenure

⁴Leonard Weber, "Land use ethics: the social responsibility of ownership" in Bernard Evans and Gregory Cusack (eds.) Theology of Land, The Liturgical Press, Collegeville, 1987, p.27.

system of a country cannot be dealt with in isolation, but must mesh with other social and economic institutions."⁵

2) Failure to appreciate the relational consequences of mobility of labour

Economic theory says that you should move labour to where the return is highest in the economy. So Norman Tebbit told the Welsh miners to "get on their bikes" and go to the South West. However, studies on mobility of labour have shown the immense relational consequences for marriages, children and neighbourhoods.⁶ There is little doubt that high mobility is closely associated with Western individualism as MacFarlane has argued in his book, "The Origins of English Individualism",⁷ although the line of causality between the two is not clear.

3) Failure to consider the relational implications of financial markets

The effect of financial markets is to spread risk, but they also act to separate savers from borrowers. The relationship between a saver and a borrower through the capital market is one based entirely on what Marx described as "the cash nexus". Capital markets have contributed to mobility of capital away from regions of decline and into growth areas, which in turn has led to mobility of labour. Regional decline has thus contributed to the break-up of many communities, and has had adverse consequences for many elderly people who become separated from their offspring who move away in search of work.

A further effect of financial markets mediated through interest has been an important factor in the growth of the mega company and the mega project. Projects like Canary Wharf in London could never have occurred without efficient and large scale capital markets. Similarly it would be impossible to develop a conglomerate like B.A.T. were it not for access to enormous sums of capital through capital markets. Whilst such mega companies often encourage good relationships within the company in terms of day to day communication and definition of role, they are

⁵ John Bruce, "Land Tenure Issues in Project Design and Strategies for Agricultural Development in Sub-Saharan Africa, Land Tenure Center paper 128, University of Wisconsin-Madison, March 1986, p.75.

⁶ Helen Hayward, The Causes and Consequences of Mobility, Jubilee Centre Working Paper, 1992

⁷ Alan Macfarlane, The Origins of English Individualism

generally, I believe, relationally harmful in several respects. Often the large company will use its power against smaller companies owing to the lack of parity between them in their negotiation over contracts. So we see large, multiple retailers striking hard bargains with smaller suppliers because of their much greater market power, or even large financial institutions bringing pressure to bear on the individual customer. Secondly, Drucker's argument that there are often seven layers of management between the top and the bottom of these mega companies suggests that those at the bottom have very little say over the key decisions which affect their lives. In addition there is a problem of the loss of accountability due to the difficulty of those outside the company gaining access to sufficient information on the operations within the company. The issue of "Information asymmetry" has been discussed extensively by Oliver Williamson.⁸

4) Failure to consider the relational implications of the PLC Structure

The focus of the PLC on maximising profits has relational consequences. It is no accident that few PLC's support the Keep Sunday Special Campaign, as their concern is to satisfy the short term profit interests of their shareholders; generally the presence of large institutions as investors means that company directors cannot afford to have "sentimental concerns" about their workforce. Also, the PLC through the provision of limited liability for directors provides, perhaps, too strong a protection for directors against the consequences of social irresponsible decisions, especially and most obviously those affecting the environment. Of course there are questions about economies of scale, and minimum efficient size in certain markets. These are serious issues which need to be carefully addressed but the evidence suggests that large size is more associated with market power than issues of technological efficiency.

⁸ Oliver Williamson, Markets and Hierarchies, The Free Press, New York, 1975

5) Failure to recognise the relational implications of the role of the state in welfare provision.

Neo-classical theory has virtually nothing to say about the role of the state in the provision of welfare, so it is not possible to blame neo-classical economics for this weakness in Western economies. However, it seems likely that the important role played by the state in welfare provision has tended to undermine the role of the family as an institution, and lowered the commitment of family members to one another. The main welfare roles performed by the state in terms of provision of health insurance, unemployment insurance, old age provision, etc. have doubtless been taken over primarily from the extended family. In addition, state provision can readily create and cultivate a condition of state dependency which is contrary to the biblical norm of dependence on God.

Policies to move society in a relational direction

To achieve relational ends by relational means points towards seeking social change through reform rather than by revolution. In note form, the sorts of policies which might be used to move Western societies in a relational direction are as follows:-

- 1) Property and housing. Encourage the wider distribution of property to promote a fundamental degree of parity in social relations. Inevitably, this will require wider home ownership. Develop schemes to enable low income families into home ownership. Set a ceiling on the size of agricultural land holdings. Encourage collective property ownership in family trusts. Consider the relational implications of urban sprawls, high rise buildings, etc.
- 2) Mobility. A range of policies are possible to encourage greater rootedness of the population. These include a more pro-active regional policy, changes in government training schemes for doctors, changes in the employment practices for the armed forces and the diplomatic corps, and change in the training practices of large companies so as to allow their personnel a greater degree of rootedness.⁹

⁹ See Helen Hayward, op. cit.

- 3) Changing the operations of financial markets. A greater regional focus for financial institutions so that savings collected in an area are used for business development within that same area. Explore the possibilities of regional stock markets to facilitate encounter relationships between borrowers and lenders, and facilitate the availability of venture capital at more reasonable rates. Encourage greater equity investment by changes in the tax system to overcome the present bias in favour of interest based investment.
4. Mitigate the effects of industrial concentration brought about by large financial markets inherited from the past. This can be achieved through different differential tax rates by size of business to encourage divestment by large companies, tougher MMC policies to discourage mergers, interest schemes to encourage small business, as in the United States, etc.
5. Reduction in the role of State Welfare and a greater relational emphasis in its motivation. The greatest need of many on welfare is not that of cash but of a strengthening of relational support. The welfare system at present ignores these relational needs. How could such relational needs be met by the state. Firstly, many of those in semi-retirement could be mobilised to help those who are unemployed in moving them towards finding additional training and employment. Secondly, the system needs to have a goal of financial independence for every household. The more face to face contact there is at the level of family and locality, the greater opportunity there is to use more highly selective methods of welfare distribution which are more cost effective and involve lower stigma than the centralised and bureaucratic means of welfare distribution used at present.
6. Overall devolution of state power and decision making. A key factor in the breakdown of direct relational encounter and loss of parity in relationships between central and local government has been the growth of centralisation in political structures in Britain in the last 20 years. There is an urgent need to set up a regional tier of government, and to restore to local authorities many of the functions which have been removed from them over the last 10 years.

Conclusion

In order to achieve a new relational emphasis in public policy, there is clearly a need for a change in national ethos. How is it possible to shift public opinion away from the emphasis on individual freedom and choice towards an emphasis on relationships and mutuality? Clearly such fundamental change in outlook, or ideology, takes years - even decades - to bring about. It seems to us that such changes must involve a political or social movement to mobilise public opinion and put forward the importance of relationships constantly in the media. There will also be a role for providing relational values in education and pointing out the personal application of relational philosophy in the home.

Without such a movement, there is a danger that books or articles promoting these values would be no more than a shooting star in the sky, pointing towards a better way but quickly disappearing from the scene. Such seems to have been the fate of Schumacher's outstanding book "Small is Beautiful". There is little alternative but to put resources into developing a social movement, with a commitment to influencing both public policy and personal lifestyles in a relational direction, if "Relationism" is to have a major impact in Britain and in other countries in the next century.

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