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Disciplinary Brief

BRINGING THE LOVE COMMAND TO MARKETS

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The 'Genius' and Challenge of Markets

At the core of economic analysis is the idea that there are gains from trade between economic agents, such as individuals, businesses, states. The simplest formulation has two agents with different endowments of goods, who by trading with each other can attain bundles of goods that satisfy them better than did their initial bundles. It is 'rational' to trade in this way. But the gains are limited to finding partner agents who both have goods that you desire and are interested in goods you can offer. If I need a cleaner for my apartment, I need to find a cleaner who is seeking tutorials in economics—the 'good' I am competent to deliver. The 'genius' of the market price system is that we no longer need to rely on such an unlikely coincidence. Economic agents can supply goods or services which are surplus to their own requirements and use the resulting income to buy other goods or services that they want. The consequence is that there is no need for direct connection between the supplier and the purchaser: I may pay my cleaner and establish a relationship with him or her, but I have no idea who supplies the cleaning materials that the cleaner uses. I may not even identify the retailer if I buy those materials myself online. Economic transactions, then, are generally characterised by a degree of anonymity. As a result, the purchasers of a good or service cannot rely on the empathy often offered by known trading partners. In a worst case, they need to guard their own interests somewhat suspiciously as caveat emptor ('let the buyer beware') reminds us.

Who is My Neighbour in a Market Economy?

Well-functioning trade between economic agents is predicated on relatively benign behaviour by the agents [1]. There is a long-held view that in some circumstances behaviour may be far from benign. For example, a single (monopolist) seller or a single (monopsonistic) buyer of a good may exploit their market

power to 'rip off' the other parties to transactions. However, the most serious issues arise when a buyer or seller has more information about the potential trade than their counterpart. It may be impossible for a buyer to assess the quality of a good or service on offer, if this cannot be ascertained directly by inspection. Indeed, a moment's thought should convince us that this is probably true of most goods and services we purchase. Rational economic actors would be expected to take advantage of their private information if they can, though a desire to build reputations in repeated transactions, and competition from other suppliers, are restraining forces.

Who is my neighbour and how might I love my neighbour in these and related circumstances? O'Donovan's vision of love argues that love involves seeking the good of the other person. Whether the identified 'good' is right for the other is critical, which depends on the correctness (truth or untruth) of the definition of the good in their circumstances. The order of reality must shape love: if someone is starving then love will meet their need for food; if someone is grieving, then love will take the form of supporting and comforting them in their grief; if someone needs affirmation then love will seek to affirm their worth and encourage them. In other words, the form that a loving action will take should be, as far as possible, 'tailor made' to the situation of the recipient.

How Sellers and Buyers Can Express the Love Command

If this is correct, then markets are not a straightforward arena in which to obey the love command. However, the seller can ask whether a particular transaction will contribute to the flourishing of the purchaser. Evidently in situations where the seller is not transparent about the features of the product or service, the buyer may be fooled into making a purchase which is not in his or her own interests. A contentious example featured in the global financial crisis, where some major financial institutions were found to have sold financial products that they privately knew would fail and hence incur losses for those who bought them.

An ethical purchaser must also ask whether the transaction is conducive to the good of the supplier. Obvious examples are where a product has been manufactured under conditions that demean the workers or has grown under conditions that harm the environment. Another possibility is to inquire into the situation of a whole group or class of people who are involved in the transactions. Resultant actions might include consumer boycotts of products or producers [2], or suppliers taking steps to prevent products being sold to people who are vulnerable in some way. The questions we have just asked are not always easy to answer, since they rely on hard-to-obtain knowledge of individuals or groups, but sometimes an educated guess is at hand.

Overcoming Anonymity in Market Transactions

But if fellow transactors are completely anonymous, what then should a conscientious purchaser or seller do? Both must take advantage of general truths about transactions. A seller (either of a good or service, or

of labour) can indirectly love the buyers by committing to providing high quality. Good workmanship or conscientious effort on the part of the seller herself can greatly benefit the neighbour who is purchasing the good or service. In this way the sellers' love for neighbour can spread to purchasers who are unknown to them. Purchasers, too, can look after what they have purchased to both beautify creation and increase the longevity of the item. Furthermore, they can dispose of it in a manner that respects the environment (and therefore fellow-stewards). For both purchasers and sellers what might be called 'good order' in markets – making sure they operate in fair and transparent ways – is another very general form of love. If the good or service is intrinsically bad, however, then this 'good order' of markets may instead imply restrictions to trade, or outright bans, which would properly fall under the responsibility of the 'ruling authorities' (Rom 13) rather than individual purchasers or consumers.

One Love Problem that Individuals Cannot Solve

Market outcomes can, as is often noted, have profound effects on the overall distribution of income in a society. This is an unintended consequence of the workings of the 'invisible hand' of the market economy. The invisible hand is rightly celebrated for the advantages of competitive pressure in assuring quality and the resolution of shortages and gluts via flexible prices - whilst being infamously blind to considerations of income distribution. Generally speaking, it is impossible to make individual purchasers and sellers responsible for a failure to care for the welfare of the others as it relates to income distribution - this is a problem individuals cannot solve very well. How might the injunction to love one's neighbour work out in this (very common) case? Dealing with the problem piece-meal through individual charity is unlikely to be completely effective, as individual charity will not be sufficiently systematic in reaching those in need. The answer might be to invoke the power of the political authorities to bring about some redistribution of income. The obvious example is the provision of welfare programmes in most advanced market economies to provide resources to the poor and disadvantaged by taxing the incomes and expenditures of those who have substantial incomes. Such programmes have grown markedly in the past hundred years, and now comprise a major component of government expenditure. This is not straightforward in practice: provision for the poor may have unintended consequences, such as removing incentives to work and creating welfare dependency.

In addressing this tension, a helpful idea is the notion of an optimal amount of welfare waste. [3] It is commonly understood that to insist on literally zero waste for any economic uses of the environment would be to condemn humanity to dire poverty. What arises from this cautionary tale is the notion of 'optimal waste' – an amount of environmental waste that is consistent with acceptable levels of human flourishing. [4] In a similar way, any kind of redistribution, or more general welfare, will undoubtedly affect incentives. But the relevant question is whether the policy in question (here redistribution) is nonetheless worth doing despite the 'welfare waste' that this entails.

There is much in Christian tradition that warns of the dangers of both extreme wealth and extreme poverty, summarised beautifully in Proverbs 30: 8-9, and redistribution deals with both problems at once.

This makes it an effective policy because it breaks a maxim in economics (called the Tinbergen rule) that you need as many levers of policies as you have goals. In this case, a single transfer from a very wealthy person to a very poor person fights against the evils of both extreme wealth and extreme poverty. Given this, it is unsurprising to find Christians throughout history calling for redistribution, though other auxiliary assumptions and political convictions have, and will, create diversity in the particular policies endorsed.

Loving 'Neighbours' in an Interconnected World Economy

All the issues of anonymity are of course magnified when we consider the plight of those known to us who are living in desperate conditions in places far distant from where we live. The spread of global internet connections and immediate news reporting brings their plight directly to us, and it would be unacceptably callous not to show compassion simply because they are so far away, and so not act to relieve their suffering. But we may need to rely on relief agencies to channel our aid. Deciding on the mix of government and private aid mimics, more or less, the same debates that occur within a nation state about government and private provision of anything, with the exception that the degree of affinity people feel to those 'close by' is generally higher. In the interconnected world of social media, 'close by' does not necessarily refer to distance, though it often does. Where government aid does occur, the case for such involvement is that governments may more adequately and effectively channel the desire of the citizens to reach out to those in need around the globe.

Market-mediated Love Requires Wisdom

The call to love neighbours effectively in a complex market economy requires a special kind of love, one infused with a good dose of wisdom. The issue to discern is how to express love when we are very short on the particulars of the persons to love. We might call love which is wise in this way 'love at a distance'. We gain encouragement from the observation that Jesus connected 'the law and the prophets' to love (Matt 22:36-40), and the law involved instances of love at a distance, be that geographical or social. A similar sentiment is declared in his Parable of the Good Samaritan, which is an artful blend of love close by and love at an (ethnic) distance (Luke 10:25-37). Laws, including those found in the Old Testament, are paradigmatic ways to love others who are largely anonymous, and sometimes (unlike the Good Samaritan) love-through-law is informed by nothing more specific about the 'other' than the belief that their common human nature deserves reverence and respect.

So it is with market transactions. It is pleasing, though rare, if market practices and market outcomes are personal but, even if they are impersonal, they should always give due reverence and respect to persons made in the image of God.

References and Further Reading

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Endnotes

- [1] The question of whether a market economy is conducive to the sustaining of trustworthy behaviour (the 'doux commerce' thesis) or is destructive of the virtues (the self-destruction narrative) was explored in our GFI Disciplinary Brief on 'Economics and the Virtues', and that question will not be addressed again here.
- [2] How to respond to such cases is often far from straightforward. For example, boycotting goods produced by child labour in a poor country may have the effect of making them and their families destitute, and making it impossible for the parents to pay for even elementary schooling for their children. This is an ever-present danger of boycotts.
- [3] For the concept of optimal welfare waste see https://www.abc.net.au/religion/election-2016-in-praise-of-welfare-waste/10096808
- [4] A mainstream economist is more likely to put this in more narrow terms of balancing costs and benefits of pollution. This would be fine for a Christian if every aspect of God's Shalom were included in the enumerated costs and benefits, but this is not usually the case.

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