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Disciplinary Responses to Theology Brief Preview

## **BRINGING THE LOVE COMMAND TO MARKETS**

Donald Hay

Emeritus Fellow, Jesus College, University of Oxford

Gordon Menzies

Associate Professor in Economics at the University of Technology Sydney

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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 meet their 'needs' better than their initial bundles. The Edgeworth box analysis of elementary economics makes this point evident. It is 'rational' to trade in this way. But the gains are limited to finding partner agents who 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 unlikely 'coincidence of wants'. 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 need. The consequence of such transactions 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, 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 on line. Economic transactions are generally characterised by anonymity. The purchasers of a good or service need to look to their own interests as *caveat emptor* ('let the buyer beware') applies.

This analysis 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 monopolist seller or a monopsonistic buyer of a good may exploit their market power to 'rip off' the other parties to transactions. However, the most serious issues arise in the application of *caveat emptor*, in situations of asymmetric information between buyer and seller such that one or other of the parties has much fuller 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.

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## Who is My Neighbour in a Market Economy?

What might it mean to 'love neighbour' in such circumstances? O'Donovan's Preview 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 the 'every man for himself' nature of market transactions is not consistent with the love command. Instead, the seller should ask whether a particular transaction will contribute to the flourishing of the purchaser. Evidently in situations where the seller is not transparent about the quality of the product or service, the buyer may be fooled into making a purchase which is not in his or her own interests. The 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 grown under conditions that harm the environment. A more 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.

## Overcoming Anonymity in Market Transactions

But it will not be easy to 'love neighbour' in market transactions where anonymity of the transactors applies. What then should a conscientious purchaser or seller do? One possibility is to express concerns about a whole group or class of people who are involved in the transactions. Examples 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. An example of the latter would be products like alcoholic drinks that cannot be accessed by people under 18, or betting sites that limit number of on-line bets that a customer can place, with a view to preventing gambling addiction. Of course, such measures are more likely to be the result of regulation than the good will of the suppliers!

## Systemic Solutions to the Love Command in Markets

Market outcomes can, as is often noted, have profound effects on the overall distribution of income in a society. This is an outcome of the workings of the 'invisible hand' of the market economy, and it would be impossible to relate this to market participants who had failed to care for the welfare of the others with whom they are transacting. How might the injunction to love neighbour work out in this (very common) case? Dealing with the problem piece-meal through individual charity is unlikely to meet the needs, 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 far from straightforward in practice: provision for the poor may have unintended consequences such as removing incentives to work and creating welfare dependency.

### **Loving 'Neighbours' in a Complex World Economy**

The examples of the last two paragraphs have underlined the inability of individual actions to love neighbour effectively in a complex market economy. A further issue is how to identify the 'neighbour' whom one is to 'love'. That surely must include those who are in proximate to us, including both the local community and those who are connected for example by family relationship. But what about 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 will need to rely on relief agencies to channel our aid. A contentious issue for some is whether governments should also be involved in overseas aid. 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. Exactly how such aid is to be delivered to those in need is much debated: the concern is that official aid may be diverted to their own interests by the governments or elites of recipient countries.

### **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.

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