

Human Flourishing And The UK Economic Model

1. Introduction

In late 2008 the world was hit by a financial crisis that was triggered by the collapse of the US subprime mortgage market, but which had its roots in flawed policy objectives and a flawed ideology. Regulators had minimized their role in managing the behaviour and impacts of the financial sector, in the belief that “leaving it to the market” would produce maximum profits and maximum innovation. Other policy objectives such as broader social, environmental and even economic impacts, became to a huge extent secondary to the pursuit of increased economic activity in the financial sector. The result was global financial melt-down and a financial sector vilified as “socially useless”, that maximized wealth of the few, but failed to direct investments where they would have best impacts, manage risks or even to support real economic activity.

The story of the “light touch” regulation of the financial sector reflects two dominant and problematic (from the human flourishing point of view) aspects of modern policy making. The first is that in the wider policy discourse of the UK government, the objective of increasing economic activity, in the sense of more production and consumption, as a means to bring better quality of life has dominated. This has confined regulators to a minimal “light touch” role, intended to facilitate markets, rather than manage impacts on society, the environment or the broader economy. Other objectives can find fixes, but these must have minimum interference in the functioning of the market as the best means to maximize growth.

The second is that the economic discourse on which these decisions are based is narrow and flawed. It is strongly rooted in utilitarian ethics. Utilitarian ethic-based economics assesses human wellbeing from the perspective of utility or preference satisfaction.

¹ Centre for Development Studies, University of Bath, UK. I am greatly indebted to Joanne Green and Tina Weller for their substantial contributions to the structure and argument of the paper. I thank Nick Spencer, Laura Webster, Chris Bain, Antony Elliot, Richard Gough, Anne Lindsay, Steve McCarthy, Maurice McPartlan and Rachel Carnegie for helpful comments on previous drafts.

Decisions are to have the maximum consequences for utility levels. Therefore, satisfying people's preferences, whatever they are, through consumption, becomes the major policy objective. How well a country fares is measured by the sum of the consumption, or income, levels of its residents.

Utilitarian ethics attributes a monetary value to all considerations, including non-material (environmental loss can be measured against the benefits of increased employment). All non-material considerations (including moral) are reduced to commodities that can be traded off against income according to an individual's set of preferences. Within such discourse, economic policy becomes a technical matter detached from ethical concerns. There is no value judgement about the objectives pursued.

Utilitarian economics has come under heavy criticism in the academic literature.² Human wellbeing is not adequately represented by preference satisfaction but by what makes a full human, such as being healthy, pursuing knowledge, participating in the community, engaging in relationships or enjoying aesthetic beauty. A monetary value cannot be assigned to everything. The joy of playing with one's children or admiring a breathtaking landscape does not have a price that can then be compared with extra income from additional working hours. Economic policy is not best left to 'experts' as if it were a technical matter. There are value judgements to be made about its ends. Economic policy is ethical and political.

This paper critiques the dominant economic discourse and seeks to propose an alternative based on the Christian human flourishing vision (cf. briefing paper 2). Section 2 unpacks the relationship between economic growth and improving quality of life. Section 3 outlines the major characteristics of an economic model guided by the Christian human flourishing vision. Section 4 examines how the dominant economic model can be transformed to make it more conducive to human flourishing. Section 5 summarises some specific policy recommendations for the UK government to make human flourishing the normative criteria for its economic policy.

The paper focuses mainly, although not exclusively, on the UK because: 1) its economic model is exported worldwide and this raises serious equity and sustainability questions; 2) some areas of UK economic policy have direct implications for the lives of people in the so-called 'global South'. Therefore, addressing poverty and injustice at the global level must begin with a critical examination of our own economic model. We cannot talk credibly about

² Amartya Sen, *On Ethics and Economics* (Oxford: Blackwell, 1987); *Development as Freedom* (Oxford University Press, 1999).

poverty, social justice and environmental sustainability, if our economic model is deepening inequality, creating more injustice and destroying the environment.

2. Unpacking economic growth

2.1. Quality of life

The utilitarian economic model considers income, or consumption, as a measure of people's wellbeing. Therefore, the Gross Domestic Product is seen as a proxy measure for people's quality of life. This is however not always verified by facts.³ Table 1 contrasts GDP per capita with indicators of health, education and political freedom, in selected countries. Uruguay has a much lower GDP per capita than Saudi Arabia. Yet people live longer. Women are more literate. Fewer children die prematurely, and basic political rights and civil liberties are fully respected. Russia is wealthier than Costa Rica. Yet, its inhabitants live shorter lives in a more constrained political environment. While Morocco has a higher GDP per capita than Vietnam, its illiteracy and infant mortality rates are higher, as is discrimination against women (female literacy is considerably lower than the adult rate).

Table 1: GDP, health, education and political indicators

	Saudi Arabia	Uruguay	Russia	Costa Rica	Vietnam	Morocco
GDP per capita (PPPUS\$)	15,711	9,962	10,845	9,481	3,071	4,555
Adult literacy rate (%)	82.9	96.8	99.4	94.9	90.3	52.3
Female literacy rate (%)	76.3	97.3	99.2	95.1	86.9	39.6
Life expectancy (years)	72.2	75.9	65	78.5	73.7	70.4
Under 5 mortality (0/00)	26	15	18	12	19	40
Political Rights/Civil Liberties ^a	7/6	1/1	6/5	1/1	7/5	5/4

Source: Human Development Report Office, data for 2009, <http://hdrstats.undp.org/en/countries>

^a Freedom House 2008 (with 1 being most free and 7 less free), see www.freedomhouse.org

Income per capita is thus a poor indicator of how well people live; whether they are healthy, educated, respected, able to speak freely, etc. For some countries, income per capita reflects overall quality of life. Canada has a GDP per capita of US\$35,812 and correspondingly, people live long and healthy lives (life expectancy is 80.6 years), political

³ S. Deneulin with L. Shahani (eds), *An Introduction to the Human Development and Capability Approach* (London: Earthscan, 2009). Available as e-book at http://www.idrc.ca/en/ev-143029-201-1-DO_TOPIC.html.

and civil rights are fully guaranteed, people are educated and crime is low. Similarly, the GDP per capita of Zambia, at US\$1,358 accurately predicts the low quality of people's lives: life expectancy is only 44.5 year. This brief description of countries does not lead to the conclusion that there is no relationship between income and quality of life but that the relationship is certainly not immediate and direct. A dynamic analysis of the relationship tells a similar tale.

Consistent with the above, the dominant economic discourse takes economic growth, the increase in GDP per capita, as a synonym for greater quality of life. Yet, here again, the facts provide evidence that there is not always a direct and automatic link between the two. Some cross-country econometric evidence from developing countries has shown that it is not economic growth per se, which has been one of the major forces for enabling people to live better lives, but government provision of public goods, for example.⁴ The study demonstrates that economic growth enables people to live better lives, under certain conditions. First, a household needs to spend its after-tax income on goods that contribute most directly to improvements in health and education, such as food, potable water, and school equipment, and this depends on who controls the household expenditures (greater female control over household income and greater female education often mean higher spending on such goods). Second, the extent to which economic growth increases the incomes of the poor depends on income distribution and on the creation of employment for low-income groups. Third, economic growth translates into better health and education opportunities when there is appropriate public spending in the relevant areas such as basic education and primary health care. Economic growth can thus not be equated as such with greater quality of life. There are many conditions for this equation to be fulfilled.

If we take the case of the UK, gains in health and life expectancy from late nineteenth century onwards were not caused by economic growth as such, but by improved hygiene, eating habits, public health regulation and primary health care thanks to massive government investment in education, health and public.⁵ This does leave a role for economic growth - for example, it can be necessary to enable spending on public services - but it is not sufficient. Similarly for India, China, Brazil and other low or middle income countries today, the economic growth that these countries have pursued has provided the conditions for people to live better lives only to the extent that it has been conducive to providing employment

⁴ G Ranis, F Stewart and A Ramirez, 'Economic growth and human development', *World Development*, 28(2) (2000) pp. 197-219. See also G Ranis and F Stewart, 'Successful Transition towards a Virtuous Cycle of Human Development and Economic Growth', *Economic Growth Centre Discussion Paper 943* (Yale University, 2006).

⁵ Avner Offer, 'Consumption and Well-Being', in *Oxford Handbook of the History of Consumption*, (Oxford University Press, forthcoming).

(especially for the poor) and adequate public services (especially in the area of education and public health).

Taking people's wellbeing beyond health, education and economic and social security more generally, there are even further conditions for economic growth to provide opportunities for people to live better lives. Data from the UK and US show a decline in reported well-being in the USA, which flat-lined in the UK over the last quarter of a century, despite unprecedented growth.⁶ Some academics debating the causes of this apparent anomaly point to a constant search for novelty which has created, among others, addictions, levels of depression, family breakdowns and increased stress.⁷ Research in psychology holds that fulfilling relationships are the major determinant of people's experience of living a good life. Thus, a condition here for economic growth to provide opportunities for better quality of life is that the value of human relationships is not undermined by pursuit of material wealth, and that it does not erode commitment.

Given the different characteristics of economies, the conditions needed for economic growth to translate into better quality of life will be country specific. While provision of public goods might be the strongest condition for economic growth in Nigeria, or other low income countries, to provide opportunities for its population to live well, a shift from material growth to quality relationships might be a priority condition in the UK and other OECD countries – this would involve a radical reconsideration of the type of growth in economic activities that currently qualify as economic growth, a point we shall come back below.

As the Report of the Commission on Growth and Development – an international initiative which has gathered the world's leading economic experts – has summarized it,⁸ economic growth is a critical means for improving people's lives, but a means that needs to be qualified. Economic growth is essential in countries where people mainly live in the subsistence economy, but after a certain level, distributional concerns become more important.

2.2. Distribution

In the last decade, the discourse of 'pro-poor' growth became prominent in international development policy. It refers to encouraging a type of economic growth that lifts as many

⁶ Blanchflower and Oswald, *Wellbeing over time in Britain and the USA*, (Warwick University, Dartmouth College and NBER, 2002).

⁷ Avner Offer, *The Challenge of Affluence* (Oxford University Press, 2006). See also Tim Kasser, *The High Price of Materialism* (Cambridge, MA: MIT Press, 2002).

⁸ Commission on Growth and Development, *The Growth Report* (2008), at <http://www.growthcommission.org>.

people as possible above the one dollar a day poverty line. While mainstreaming the 'preferential option for the poor' in economic policies is a laudable initiative, it is not without concerns.

A first concern is that poverty reduction becomes a matter of mechanics without consideration neither for the incidence of poverty or the non-income dimensions of poverty. If a country has 40% of its population living under the poverty line and adopts a 'pro-poor economic growth' strategy, enabling 20% of the population to pass on the other side of the poverty line, this does mean that these 20% are less 'poor' because they command an income higher than \$1 a day (or whatever amount the poverty line is set). They may still live in conditions without access to safe water, sanitation or public health services. They may still be looked down and not respected by public officials, and have no voice in influencing public decisions that affect them. They may still not be able to send their children to schools because of the absence of public infrastructure. Moreover, such 'pro-poor' economic growth tends to lift 'out of poverty' those closer to the poverty line and not those who live in extreme poverty.

Second, economic growth might lift some people above the poverty line but might at the same time widen the income gap between those at the bottom and those at the top of the income distribution. If the incomes of the low income deciles rise by 2% and those of the top income deciles rise by 10%, this is labelled as a successful pro-poor growth strategy. Pro-poor growth can thus be at ease with situations of extreme inequality.

Global inequality is now estimated to have a Gini coefficient of between 0.63 and 0.66 (with 0 being a perfect equal situation where everyone has an equal share of the resources, and 1 being a situation where one person holds all the resources and the other nothing). Data differ as to whether the global Gini coefficient has increased or not during the 1980s and 1990s. However, data on income distribution are unanimous in showing that there has been a marked increase. The ratio between the average income of the richest 5 per cent and the poorest 5 per cent of people in the world is now estimated to be at 165. They earn in about 48 hours what the poorest people earn in a year.⁹

At the country level, the Commission on Growth Report notes that income inequality has risen in many countries. The UK has not escaped this global phenomenon. After rising dramatically from 0.25 in 1979 to 0.34 in the early 1990s, the Gini coefficient is still peaking at 0.35 in 2004. Average annual income growth has accelerated much more since 1996-7 for

⁹ Branko Milanovic 'Global Inequality: What is it and why does it matter?', *DESA Working Paper 26* (August 2006) http://www.un.org/esa/desa/papers/2006/wp26_2006.pdf.

the top richest 10%. Their earnings have grown at an average real rate of 3.1%, while the income growth of the poorest 15% of the population has been close to nil.¹⁰ Some commentators associate this rise in income inequality with a negative impact on people's lives with higher levels of stress, depression, mental health problems, drug, criminality, violence and lack of trust.¹¹

Furthermore, a large share of economic growth, especially in industrialised countries, has been driven by the financial sector. The growth in output no longer corresponds to tangible assets but to complex financial instruments. The risky speculation involved in the creation of such output has created higher levels of economic instability and vulnerability as witnessed by the 2008 financial crisis which had the most negative effects on the poor.¹² The latest declaration of the Latin American Bishops' Conference (CELAM) in February 2010 noted that the percentage of Latin Americans living in extreme poverty has now reached 34.1%, an increase of 13% with the previous year, and 16% of Latin American children are chronically malnourished.¹³

That we only need economic growth to reduce poverty is thus a myth. In many instances, redistributing the existing pie would do much better in improving people's lives than making the pie grow. It has been estimated that redistributing just 1 per cent of the income of the richest 20 per cent of the world's population to the poorest 20 per cent would benefit the latter as much as distributionally equal growth of around 20 per cent.¹⁴ But there is an even bigger concern with the relationship between economic growth and quality of life than the distributional one: the ecological one.

2.3. Ecological limits

Output growth requires resources. Economies cannot grow indefinitely in a world of finite resources. Economic growth has been accompanied by a rapid rise in CO₂ emissions. In its analysis of thirteen 'success' stories of economic growth (including China, Indonesia, Brazil and Thailand), the Report of the Commission on Growth and Development acknowledges that, should their stories be replicated universally, this would generate a dangerous amount

¹⁰ M. Brewer, L. Sibieta and L. Wren-Lewis (2008), 'Racing away? Income inequality and the evolution of high incomes', *IFS Briefing Note 76*, Institute of Fiscal Studies. See also the recent Report of the National Equality Panel, 'An anatomy of economic inequality in the UK', <http://sticerd.lse.ac.uk/dps/case/cr/CASEREport60.pdf>.

¹¹ Richard Wilkinson, *The Impact of Inequality* (London: Routledge, 2005); R. Wilkinson and K. Pickett, *The Spirit Level: Why More Equal Societies Almost Always Do Better* (London: Allen Lane, 2009).

¹² See for example the ODI Briefing Paper 'The Global Financial Crisis: Poverty and Social Protection, August 2009, Overseas Development Institute, London, www.odi.org.uk.

¹³ See the 2009 Social Panorama of Latin America published annually by the UN Economic Commission for Latin America at <http://www.eclac.org>.

¹⁴ David Woodward and Andrew Simms (2006), 'Growth is failing the poor: The unbalanced distribution of the benefits and costs of global economic growth', *DESA working paper 20*, March 2006.

of carbon emissions which would severely destroy the natural environment, and even cancel the gains of the economic growth of the last 200 years (p. 19). If the whole world were to live like British people, about 2.5 planets would be needed to sustain such a lifestyle.¹⁵ There is unanimous agreement that bringing the low and middle-income countries to the level of OECD countries would be suicidal.

The economic growth discourse is now shifting towards 'green growth', or as DFID puts it 'low carbon growth'. The idea is that economic output can grow while carbon emissions are reduced. Technology is assumed to be the key factor for this to happen – it is estimated that carbon emissions have to be reduced by half in order for them to reach safe levels for future generations. In its high level meeting on African development, UNCTAD affirms for example that 'greening' economic growth is possible by building on clean production using renewable energy and developing its environmental services industry.¹⁶ However, the Growth Report admits that whether economic growth can be delinked from environmental impact is not certain: '[H]ow can we cut carbon emissions to safe levels by midcentury while also accommodating the growth of development countries? At the moment the debate has reached a conceptual impasse.' (p. 10)

The UK Report of the UK Commission for Sustainable Development takes a clear position: there is no evidence that economic growth can absolutely be delinked from environmental impact. In the absence of evidence, the default option is that economies cannot continue to grow *ad infinitum* in a world of limited resources. If we care about future generations, we need to revisit economic growth altogether. More specifically, the understanding of prosperity as material wealth needs to change. The Report proposes a definition of prosperity as the ability to participate meaningfully in society.¹⁷ Like others (cf. footnote 13), the Report focuses on redistribution instead of economic growth as a way of improving people's lives, but it goes further by advocating a shift of focus from material growth to human growth. The success of economies needs to be measured by the growth in the quality of people's lives and not in the quantity of what they have (the latter is an instrument of the former only to some extent as discussed above). Most fundamentally, economic activities need to be sustainable. Putting all our hopes in technological advances is a Promethean myth. A more secure way for having an equitable and sustainable economy, the Report argues, is to change the economic model based on the unbounded pursuit of material wealth in a bounded planet.

¹⁵ Cf. briefing paper 5 in this series.

¹⁶ UNIDO, AGRA and UNCTAD, High Level Meeting on Africa's Development Needs. Accelerating Poverty Reduction and Economic Growth: Transforming African Countries into Tiger Economies, September 2008, <http://www.un.org/ga/president/62/ThematicDebates/adn/transformingeconomies.pdf>.

¹⁷ See <http://www.sd-commission.org.uk/publications>.

3. A human flourishing-based economic model

3.1. Current proposals for change

The equation of 'progress' with economic growth is being questioned in policy circles. A Commission on the Measurement of Economic Performance and Social Progress, gathering leading experts in the field, including two Economics Nobel Prize winners, Joe Stiglitz and Amartya Sen, was set up in 2007. It concluded that a shift 'from a "production-oriented" measurement system to one focussed on the well-being of current and future generations, i.e. toward broader measures of human progress' is needed.¹⁸ Its Report focused on three areas:

- 1) GDP measures: How to have better measures of the hidden economy? How to account for the unpaid time spent in care or volunteering or other? The Report proposes ways of improving current national accounting so that it represents economic activities better;
- 2) Quality of life: income is only a means to improve people's lives. The Report presents new measures, or data improvement, in the areas of health, education, work, political voice, social relationships, environment and insecurity.
- 3) Environment: How to discount properly the environmental destruction generated by production activities? The Report proposes adjusting GDP to its environmental cost, or gathering composite environmental indices.

A similar initiative is currently taking place at the OECD. Its 'Global Project on Measuring the Progress of Societies' is working with national statistical services around the world to develop new measures of progress that take account of human wellbeing as a policy objective.¹⁹ The little Kingdom of Bhutan, with its 'Gross National Happiness', has been one of the pioneers in developing an alternative measure of progress to GDP.²⁰ The GNH is not about happiness as a subjective state of mind but comprises indicators of health, education, psychological wellbeing, culture, ecology, community vitality and good governance. In the UK, the policy discourse has not escaped this movement to find alternative measures of progress. The New Economics Foundation is developing new indicators of wellbeing to include ecological footprints and quality of social relationships, among others.²¹

¹⁸ Paragraph 13 of Executive Summary. The Report can be found at www.stiglitz-sen-fitoussi.fr.

¹⁹ See <http://www.oecd.org/oecdworldforum>.

²⁰ See <http://www.grossnationalhappiness.com/>

²¹ See <http://www.neweconomics.org/programmes/well-being>.

Over the last ten years, initiatives at finding an alternative to GDP have mushroomed but it is the United Nations Development Programme who, in 1990, came up with the first critique of GDP per capita as indicator of progress, with its 'Human Development Index' and Human Development Reports. Development is not about material growth but 'a process of expanding people's real freedoms – their valuable capabilities – and empowering people as active agents of equitable development on a shared planet'.²² This conception of development as human development is founded in Amartya Sen's capability approach, which constitutes, to date, the most comprehensive alternative to the dominant economic framework.

The capability approach contains three main concepts: functionings, capabilities and agency.²³ Functionings are the valuable activities and states that constitute a person's wellbeing – such as being healthy, being safe, being educated, having a meaningful job, being secure. Capabilities refer to the freedoms one has to do these valuable activities or reach these valuable states. Agency is the ability to pursue goals that one has reason to value. The capability approach thus contains a key normative argument that social arrangements should aim to expand people's capabilities, that is, their freedom to undertake or achieve valuable doings and beings, and in doing so those arrangements should respect people's agency. The capability approach is a normative framework for policy evaluation but is not policy prescriptive. It limits itself to offering a framework to make comparative judgements about what state of affairs is 'better' than another.²⁴

3.2 *The Christian human flourishing vision*

The capability approach bears some resemblances with the Christian human flourishing vision outlined in briefing paper 2. Both take human dignity as the end of economic and social processes and take human agency and freedom as a key feature of human dignity within the context of environmental sustainability. The following principles which underpin human development policies thus also structure an economic model inspired by the Christian human flourishing vision.²⁵

²² Sabina Alkire (2010), 'Conceptual Overview of Human Development', *Background paper* for 2010 Human Development Report. The original 1990 definition read: 'The basic objective of development is to create an enabling environment for people to enjoy long, healthy and creative lives' (Human Development Report, p. 9).

²³ For an introduction to the capability approach, see Deneulin with Shahani, *op. cit.*

²⁴ Amartya Sen, *The Idea of Justice* (London: Allen Lane, 2009).

²⁵ Sakiko Fukuda-Parr and A.K. Shiva Kumar (eds), *Handbook of Human Development: Concepts, Measures and Policies* (Delhi: Oxford University Press, 2009).

- 1) *Equity*: every person should be given the opportunities to enjoy valuable freedoms such as the freedom to be healthy, to be educated, to participate in the life of the community, to engage in meaningful work and to live in a peaceful environment;
- 2) *Participation*: people are subjects of their own development, not objects of policies;
- 3) *Sustainability*: improving people's wellbeing cannot be at the detriment of future generations. This refers not only to the environmental dimension, but also financial, social, political and cultural.

Despite these similarities, there are two central points of divergence. In the Christian vision of human flourishing, human beings are not only material (in need of health, food, shelter, education, etc.) and inherently free but they are inter-connected and dependent on God's gift. We flourish only inherently in common and our human freedom has a *telos*, it is oriented to the glory of God and at the service of others. This means that, in addition to the above principles, the Christian vision of human flourishing adds a fourth: *the common good*.

Living our lives to the full is not only a matter of being able to do well in a set of dimensions such as health, education, knowledge, work or practical reason,²⁶ should one choose to, as the capability approach affirms, but it is our duty and responsibility to do so and to enable others to do so given God's gift in creation. The Christian understanding of human flourishing emphasizes service. We are created to serve God and one another, that is, we have the responsibility to nurture the common good so that all may flourish. In other words, the human flourishing vision is about enabling people to participate and contribute to society so as to fulfil our vocation as children of God.

Another principle that derives from the common good is the *universal destiny of goods*. Goods are not ends in themselves but oriented towards the needs of each human being. A just distribution of resources is one that gives each person what is his or her due as a human being. While the capability approach similarly emphasised that resources are to be allocated so as to provide the conditions for each human being to flourish, it is not prescriptive about the use of goods and leaves it to human freedom, through democratic deliberation, to allocate resources. The Christian vision of human flourishing goes much further by affirming that a 'democratic' allocation of resources which is concentrated in the hands of a few, depriving others from the conditions to flourish is unjust, for these resources are God-given and so the property of no-one and for all creatures to enjoy.

²⁶ Sabina Alkire, *Valuing Freedoms* (Oxford University Press, 2002).

These five principles give another perspective on markets, economic growth and the dominant economic model. Markets are mechanisms for allocating resources, nothing more or less than that. Economic theory argues that a free exchange of goods and competition is the most efficient way for allocating resources in a way that ensures the greatest welfare of consumers and producers. Free markets can be a useful mechanism, but when that very 'free' market allows power to be concentrated in the hands of a few, or when competition is so fierce that small-scale producers are unable to compete and are driven to unemployment, this violates the Christian vision of human flourishing. Similarly with economic growth, it is a useful mechanism for providing the conditions for people to live flourishing human lives, but not an absolute one. When economic growth destroys the environment and brings more inequality, the infinite increase in output production and consumption needs to be questioned.

The Christian vision of human flourishing thus throws a radically new light on the dominant utilitarian economic model. Unlike the latter, it sees human beings as the ends of economic activity, not a means or a 'human capital' that can be ranked alongside physical capital. It sees each human being as unique, and the task of economic activity to provide the conditions for each to flourish (to fulfil their vocation), and not to increase some aggregate indicator. It sees human beings as fundamentally free, which entails that they are actors of their destiny, and not objects of impersonal mechanisms. It sees creation as God-given and therefore to be respected, and not as a 'natural capital' that can be used irresponsibly for the sake of economic profits and material wealth. It sees human life as a communal enterprise, that is our human flourishing depends on our participation in the human flourishing of all, and not as a selfish enterprise for the sake of the pursuit of immediate pleasures and desires. It sees goods and resources as God-given to be shared with all so that each can fulfil his or her vocation as created human being, and not as an individual property that can only be used at the discretion of its owner.

3.3. The vision and the reality

There is unfortunately no dearth of economic policies which go against the Christian human flourishing vision and its principles. When economic policy introduces more 'flexible' labour markets, it gives rise to more job insecurity and stress, with its burden on personal relationships. When economic policy allows for commercial advertising in the health sector and sees medication as a market product to boost companies' profits, it damages the public

good character of health care and denies many from accessing health services.²⁷ When economic policy privatises social security schemes for the sake of generating more profits for banks, it denies access to health care to a large part of the population. When economic policy forces subsistence farmers to migrate to city slums through lack of investment in rural infrastructure, it fails to provide opportunities for them to live a flourishing material life and treat them as agents of their own lives – they are forced to live a life they would not choose had they had more employment opportunities in rural areas. When economic policy makes coal fuelled production of electricity more cost effective than renewable energy, or when it boosts material consumption and waste, it fails to provide the conditions for further generations to flourish. When economic policy allows businesses to make profits for the sake of enriching the wealth of a small set of shareholders instead of being at the service of its employees, this violates all features of the human flourishing vision. It creates a more inequitable society and more unemployment; it uses people and the environment as means for wealth creation instead of using wealth creation as a means to serve people and the environment. When economic policy rewards risky and greedy behaviour (by not taxing the bonuses that are attached to such behaviours in the finance sector), it does not encourage service to others and give incentives for people to participate in the common good, without mention of the economic instability that this behaviour had and its consequences on the poorest. The five principles of the Christian human flourishing vision – equity, participation, sustainability, common good and universal destiny of goods – are intrinsically linked. When an economic policy violates one, it violates another, as the brief above examples have shown.

The reason for which economic policy falls short of the human flourishing vision is that it is rooted in the dominant utilitarian economic discourse. The economic policy of creating export-processing zones where export goods are manufactured under special tax and labour conditions is yet another example of this. These zones employ a majority female labour force, and the economic and social environment ensures for optimum efficiency – trade unions are forbidden, wage costs are low and corporate tax is minimal. But the human costs are high: women's health is often compromised by the unsafe and exploitative labour conditions; they cannot exercise their voice to correct injustices; the foreign investments do not increase the country's public revenues given the special tax regime.²⁸

The movie 'Crude: The Real Price of Oil' on an indigenous community in Ecuador and their battle with the oil company Chevron vividly narrates the human costs of conventional

²⁷ See Michael Sandel's Reith Lectures on BBC radio in June 2009 at www.bbc.co.uk/radio4/reith/.

²⁸ See Ana Teresa Romero (1995), 'Labour Standards and Export Processing Zones', *Development Policy Review*, 13(3): 247–76; or visit the Solidarity Center which supports the struggle of workers in export processing zones to gain a voice at www.solidaritycenter.org.

economic policy and the submission of human lives to the logic of economic interests and material profits. Ecuador's government has allowed foreign companies to exploit the natural resources at great environmental and health costs for the local population, destroying at the same time their living cultural traditions.²⁹

The dominant economic discourse presents policy as a value free technical affair as if economics was a natural or physical science, but policy is a *political* affair which engages people's values and is continuously made, and changed, by its actors: governments and political parties, and all the organisations which influence them, from civil society organisations to companies, lobby groups and political pressure groups. The dominant economic discourse need not impose itself on us. It can be transformed, should its underpinning economic values be replaced by those of the Christian vision of human flourishing. The next section highlights five key recommendations for this to happen.

4. Transforming the economic model

4.1. Treat the whole human person as an end in all economic decisions

The human flourishing economic model considers the human being, and her vocation to live a fulfilling human life, as the end of all economic activity. This requires an understanding of economic growth in terms of growth of 'human flourishing economic activity', that is forms of economic activity that are sustainable and enable people to participate in society and live flourishing human lives. The kind of growth the human flourishing economic model endorses is the growth of sustainable economic activity that gives people dignified employment, does not destroy the environment, and provides the conditions for people to participate meaningfully in society. Concretely speaking, this means support for a carpenter's workshop in a slum that gives employment to young people and produces furniture for local consumption, instead of supporting the opening of a big international furniture chain in the local area. The form such human flourishing economic activities takes will of course depend on the nature of local economies and their resource distribution.³⁰ In Kenya, this might take the form of producing certain goods for export, such as beans, which gives employment to local people, especially the poorest.³¹ In the UK, this might take the form of economic activities based on more flexible labour time to enable people to volunteer in the community or have more time for family relations.

²⁹ See www.crudethemovie.com and www.chevrontoxico.com. See also the case of the Dongria Kondh tribe in India at www.guardian.co.uk/environment/video/2009/may/28/india-mining-dongria-kondh.

³⁰ See 'Shifting the balance: Equity and sustainable consumption', Briefing of the International Institute for Environment and Development, January 2009, www.iied.org

³¹ See Robin McKie, 'How the myth of food miles hurts the planet', *The Observer*, 23 March 2008.

The return to a local and rural economy has been proposed as another form of human flourishing economic activity.³² This resituates the economy within the web of social relationships at the local level. This also means that agriculture becomes again a way of meeting the basic needs of the local population instead of serving the interests of agribusinesses, and the materialistic lifestyle of the few. The renewal of rural economies would also prevent the massive urbanisation which has been taking place worldwide in the last decades and which has put even higher strains on natural resources in cities. Given that most of the world's poor live in rural areas, making rural economies more dynamic could be an effective way of reducing poverty. One such initiative is 'Farming God's Way', which implements an agricultural model through church networks throughout the African continent. It provides better skills for subsistence farmers to increase their yields so that they are not forced to migrate to cities in search for a better life.³³

Other initiatives at making the flourishing of the whole human person the end of economic activity include 'Transforming Business' and 'Transformational Business Network' and many forms of social enterprises, or cooperatives, where companies subordinate their profits to the welfare of their workers, and decision-making is based on mutual forms of partnerships. The Basque cooperative Mondragon, which a priest started in the mid-1950s to create employment on the basis of solidarity, is now one of the largest companies in Spain.³⁴

4.2. Mind the gap and contribute to the common good

The Christian human flourishing vision does not demand an equal world where everyone has exactly the same amount of resources. Rather, it demands that each be given the same conditions to fulfil their vocation as human beings. The growing gap between the low and high income earners, and all the other inequalities that ensue from income inequality (inequality in access to education and health, inequality of political voice, among others), needs to be reduced urgently, both at the global and national level, for each to live a flourishing human life. The regressive nature of the UK income tax structure, with the top tax rate kept at 40% irrespectively of the income, does not contribute to the common good. High income earners are free to pursue their luxury lifestyles while not participating much in the structure of life in common, such as contributing through their taxes to the provision of public infrastructure, or contributing to good public health and educational standards through their use of public services.

³² See David Woodward (2009), 'More with less: Rethinking poverty reduction in a changing climate', in New Economics Foundation, *Other worlds are possible*, <http://www.neweconomics.org/publications/>.

³³ See www.farming-gods-way.org.

³⁴ See respectively www.transformingbusiness.net; www.tbnetwork.org; www.mondragon-corporation.com.

The common good is also disregarded at the global level. In most countries, incomes of the rich increasingly escape redistribution. The existence of tax havens plays a large role in this respect. According to an Oxfam report,³⁵ tax havens are conservatively estimated to contribute to revenue losses for developing countries of at least US\$50bn a year, an amount roughly equivalent to annual aid flows to developing countries, or six times the estimated annual costs of achieving universal primary education, and almost three times the cost of universal primary health coverage. Christian Aid estimates that multinationals cheat the developing world out of at least \$160bn each year via these tax avoidance facilities.³⁶ The UK bears a special responsibility for making companies duly fulfil their civic duties and contribute to the common good. The City of London is replete with off-shore businesses which pay no tax. The UK is also responsible for the international affairs of some Crown dependencies such as Jersey, Guernsey and Isle of Man, and some of its overseas territories operate as tax havens such as the Cayman Islands, Bermuda and Gibraltar.

Another manifestation of the current economic model's disregard for the common good, and one which has been widely reported in the media, is the financial crisis, caused by the risky and greedy behaviour of bankers. In order to reduce the economic vulnerability and instability induced by such behaviours, a tax on speculative financial transactions has been proposed – it is estimated that the volume of speculative transactions in London amounts to \$2-3 trillions a day, and this totally escapes redistribution.³⁷ The idea is to impose a 0.5% tax on short term speculative transaction, the so-called 'Tobin' tax after the economist James Tobin first suggested it. Another proposal that has recently been put forward is the Robin Hood tax, which is a tax of 0.05% on specific global speculative transaction and which would directly fund projects that address poverty, HIV/AIDS, climate change and key public services in the UK. This tax is estimated to in bring at least £100bn of revenue a year.³⁸

4.3. Use natural resources responsibly

As briefing paper 5 deals specifically with the environment and what the Christian human flourishing vision entails for the human use and consideration of the natural environment, we briefly note here some areas of economic policy that need transformation. Taxation is a powerful instrument for structuring people's behaviour and orienting it towards human flourishing. Consumption of plastic bags fell by 90% in Ireland after the introduction of a tax.

³⁵ Oxfam (2005), 'Tax Havens: Releasing the hidden billions for poverty education', Oxfam GB Policy Paper. See also R. Palen, R. Murphy and Ch. Chavagneux (2009), *Tax Havens: How Globalization Really Works*, Cornell University Press. The book estimates that \$13 trillion is held in tax havens, or the annual GNP of the US.

³⁶ See Christian Aid's campaign 'The Big Tax Return', www.christianaid.org.uk/ActNow/the-big-tax-return.

³⁷ See 'Tax Reform for a Fairer Society' by the political pressure group Compass at www.compassonline.org.uk.

³⁸ www.robinhoodtax.org

Pricing goods so that their price fully reflects their true environmental and social costs would make the UK economy more in tune with the human flourishing vision.³⁹ Subsidies are the other side of the coin of taxation to structure the economy and influence people's behaviour and decisions. There are some government subsidies available for people to insulate their homes or switch to greener energy supplies, or special schemes to buy bikes VAT free. But these initiatives are individually oriented. The UK Commission for Sustainable Development Report proposed a 'green New Deal' similarly to the big infrastructure projects that characterised post-depression America. There is also a need for more environmental regulation in order to make productive activities use resources more responsibly.

A more responsible use of natural resources, and more sustainable consumption production patterns, need not only be promoted via external motivation such as tax incentives. It can be intrinsically motivated as with the 'voluntary simplicity' movement, which refers to the 'choice out of free will to limit expenditures on consumer goods and services, and to cultivate non-materialistic sources of satisfaction and meaning.'⁴⁰ One can highlight here the 'Simple Living Network' or CAFOD's 'LiveSimply' challenge.⁴¹ There also examples of people who commit to simple and sustainable lifestyles in community, such as the Findhorn community in Scotland. Religious communities have sought for many centuries to live out the values of solidarity and sustainable consumption. Voluntary simplicity is also linked to greater willingness to contribute to the common good. If people seek meaning and satisfaction outside material pursuits and social status, they become more willing to give up on their wealth and privileges and endorse policies that seek to redistribute income, land or labour. Sustainable production patterns can also be intrinsically motivated. There are many entrepreneurs who hold environmental values and have placed them at the core of their business activities.

4.4. Serve one another, especially the poor, in economic exchange

What characterises the dominant economic model is the submission of economic activity to the logic of profits and material wealth at the expense of service to humankind. The area of trade is particularly symptomatic of this. In 2007, the UK government created a Trade Policy Unit, which supports 'trade deals that are beneficial to both the UK and to poorer countries', in the view of its 'dual objectives of global poverty reduction and UK competitiveness and

³⁹ See also the 'Great Transition' Report at www.neweconomics.org/publications/great-transition.

⁴⁰ Amitai Etzioni (1998), 'Voluntary Simplicity: Characterization, select psychological implications, and societal consequences', *Journal of Economic Psychology*, 19, p. 620.

⁴¹ See <http://www.simpleliving.net>; www.livesimply.org.uk.

market access.⁴² In its last White Paper 'Building our Common Future', DFID reaffirms the role of free trade in meeting the Millennium Development Goals and pledges to eliminate EU agricultural subsidies. It sees just and fair trade as one of the best available means to reduce poverty worldwide.⁴³ Not all type of trade is poverty reducing.

At first glance, the UK government seems to see trade at the service of poverty reduction and the MDGs, but at a closer glance, there is an unacknowledged tension between increasing UK competitiveness and market access on the one hand and reducing global poverty on the other. The UK government's role is first and foremost to protect UK interests. Trade-offs are unavoidable features of policy-making. UK farmers press for maintaining EU subsidies, but DFID's interests are in representing subsistence farmers in non-OECD countries. Should British farmers who struggle to make a living at the minimum legal wage (even with the subsidies) be supported or should subsistence farmers who equally, albeit differently, struggle to make a living be supported?

A specific trade area in which increasing trade and investment might conflict with poverty objectives is intellectual property rights. Stronger intellectual property protection could increase trade and investment, but might also have other impacts. The interests of British pharmaceutical or seed companies might be at odds with the interests of people who live in impoverished conditions. Some pharmaceutical companies are now striking deals with generics firms to pay them not to produce even once the patent has expired.⁴⁴ A human flourishing economic model requires companies to submit their business to the logic of the common good and not profit, to serve the poor first and not their shareholders. Of course companies need to be profitable to survive, but concern for the marginalised, not profit as such, should be the objective.

Other factors determine whether or not increased trade and investment will promote well-being or reduce poverty. A recent report by Traidcraft to the UK Parliament International Development Select Committee urged DFID to make British companies in Bangladesh comply with a set of 'best practices' that did not exploit workers and produce goods in sub-standard labour conditions. Because the UK is the largest investor in the country, the report argued that British companies could be more significant than aid in lifting millions of Bangladeshi out of poverty.⁴⁵

⁴² <http://www.berr.gov.uk/whatwedo/europeandtrade/trade-policy/page10188.html>.

⁴³ See paragraphs 2.107 and 3.25 of 'Building our common future', www.dfid.gov.uk.

⁴⁴ See briefing 8 of Christian Aid, Action Aid and Oxfam's manual on EU Free Trade Agreements, www.oxfam.org.uk/resources/policy/trade/downloads/fta8_ip.pdf.

⁴⁵ http://www.publications.parliament.uk/pa/cm200809/cmselect/cmintdev/memo/bang/ucm1002.htm#_ftn5.

It is not uncommon for British companies to violate human rights when operating overseas.⁴⁶ An independent report commissioned by the Corporate Responsibility Coalition details the following places where British companies routinely violate human rights: flower industry in Kenya, garment industry in Bangladesh, gas exploitation in Nigeria, bauxite and aluminium mining in India, and British investment in gas pipeline in Georgia. No international law instruments yet exist for multi-national corporations which fail to respect human rights (cf. briefing paper 4 on governance).

We need to be much more creative in generating economic activities that are equitable and sustainable. We mentioned above the 'transformational business network' which subordinates the object of profit to that of poverty reduction and social transformation. Another important initiative is the one pioneered by the Fair Trade Foundation (CAFOD was one of its founding members) which is pressing major companies to go fair trade – the biggest UK sugar company, Tate and Lyle, has recently become fair trade in its activities in Belize. Ethical investment is another example of the dominant economic model being changed to be at the service of others.⁴⁷

4.5 Give voice and listen

The role of civil society in changing the economic discourse, and the policies that derive from it, cannot be emphasised enough. Civil society plays a critical role in radically changing the norms and values which govern societies. Its actions might consist in tweaking current economic policy by pressing for environmental taxes to be introduced to reflect the real costs of goods, ensuring that the production of goods occurs with the maximum respect of labour rights, or demanding transparency and urging companies to make publicly available their annual taxes, to name a few. Its actions might also consist in a radical transformation of the system like setting up alternative forms of businesses and alternative lifestyles. Civil society needs however to be allowed to speak out, both at the national level and international level. As briefing paper 4 analyses, reforming the current governance structure, and addressing power imbalances, is key for the economic model to be guided by the Christian human flourishing vision instead of the dominant economic one.

5. Conclusion and specific policy recommendations

⁴⁶ See http://corporate-responsibility.org/wp/wp-content/uploads/2009/08/reality_of_rights.pdf.

⁴⁷ See www.fairtrade.org.uk and www.ethicalinvestment.org.uk.

The philosophical doctrine of utilitarianism developed in the nineteenth century has been the intellectual driving force of economics for the last two hundred years. Under the utilitarian vision, people are means to achieve the unquestioned objective of higher production or consumption, which is assumed to bring greater happiness for all; everything can be reduced to monetary variables and compared; economic efficiency takes precedence over equity criteria; and policy decisions are technical, bearing on finding the best means to reach the set objective (GDP growth).

The human flourishing costs of this utilitarian economic model are heavy. In the UK, the rise in material prosperity has been accompanied by rising inequality, breakdown of trust, social relationships, inequality, stress, crime and a whole range of other social disorders. At the global level, this economic model is subjugating hundreds of million of workers to inhumanely degrading conditions, creating more inequality and social instability. This economic model disregards the human person, submits him or her to the commercial logic of production and consumption, as it does with the environment. Another vision to guide our economic model and allocation of resources is needed.

This briefing paper has argued that the Christian vision of human flourishing offers such alternative vision. The objective of economic activity is to give the conditions for people to live flourishing human lives in all its dimensions (material, social, psychological, political and spiritual). People are the ends, not the means, of the economy. That vision supports a growth of material resources which is equitable and sustainable. And most of all, it is a growth that prioritises relationships and moral formation in the virtues of generosity, solidarity, charity and justice. Human beings are called to live in dignity and communion, and serve one another. The aim of economic policy is to respect and nurture this call. To that end, we have outlined five principles derived from the Christian vision of human flourishing that need to structure economic policy: equity, agency/participation, sustainability, common good and universal destiny of goods. These principles are translated in specific injunctions for economic actors: 1) To treat the whole human person as an end in all their decisions; 2) To address inequalities and contribute to the structural conditions for life in common; 3) To use natural resources without compromising the human flourishing of future generations; 4) To serve people, especially the poor, in their activities; 5) To give voice to people and listen to what they have to say.

We note here six specific policy recommendations that are easily doable for the UK government:

1. *Design and collect new measures of progress to replace GDP:* Measurement is an important part of policy for what matters is often what can be measured. The UK government needs to improve its national accounting so that environmental and social costs are incorporated within production and consumption data, and to collect new data in various dimensions of human flourishing that are still unaccounted for. It could follow the recommendations of the Sarkozy commission, without falling into the utilitarian trap of maximising one single aggregate measure, for this would go against the irreducible and incommensurable nature of the dimensions of human flourishing.
2. *Tax harmful activities and subsidize activities conducive to human flourishing:* Our activities and consumption decisions are not neutral; they have an impact on our own flourishing and those of others. Taxation and subsidies are important mechanisms to change people's behaviour. Among the many things that can be done: to introduce an environmental tax for goods which have environmental costs, such as a tax on plastic bags and plastic packaging; to introduce a social tax for goods and activities which have social costs; a tax on gambling or financial speculation (the 'Robin Hood tax'), for example; to subsidise public transport so that it becomes more affordable than the car; to encourage flexible working time and subsidise volunteering activities; to eliminate UK-linked tax havens and introduce stronger regulations for companies to pay corporate tax.
3. *Redistribute first and grow in quality, not just quantity:* Poverty is most efficiently, equitably, and sustainably reduced by redistributing the output pie not just making the pie bigger. This conclusion is valid both at a national and global level. The UK needs to make its income tax structure more regressive, as is already the case with other European countries (many of which have salary ceilings). It needs to focus on the growth of the quality of people's lives. It is these indicators that should be the measure of progress and government success (cf. point 1). At the global level, the UK needs to support a more equal distribution of resources. As a universal income tax is not feasible, there should be special measures for people to give part of their income to organizations who work for providing people opportunities to live better lives in non-OECD countries. The government could collect a 1% tax on income that could be redistributed to such organisations (following a similar model as the church tax in Germany with the government collecting a special tax among believers to support their religious institutions).
4. *Support cooperatives and alternative business models:* Profits are important for businesses but profits serve people and not people profits. This briefing paper has

mentioned cooperatives and fair trade initiatives which already embody an alternative economic model. The UK government could facilitate these initiatives and the emergence of social entrepreneurship by giving them some special subsidies which could be financed from the tax collected of companies which currently avoid taxation through tax havens. It would be a long-term equitable form of redistribution which would lead to lasting change in the economy. This could also be done at the EU level, by re-directing the unjust EU agricultural subsidies in order to support these alternative business models.

5. *Make concern for the poor the genuine objective of trade with developing countries:*

Trade is an important means of improving people's lives. Yet, trade can be tied up with vested interests and deepen inequality between the haves and have-nots. British companies which seek to invest overseas could make a special 'poverty assessment report' which documents the poverty impact of their activities. This should be made a requirement by DFID or the FCO. The foreign investment decisions that should go ahead are those which have the maximum impact on improving the lives of the marginalized – poverty should not however be considered in narrow economic terms but seen as a multi-dimensional phenomena.

6. *Run a one planet-economy and encourage others to do likewise:* If all the countries in the world were to produce and consume, and live like the UK population, we would need about 2.5 planets to sustain such lifestyle. Given that the UK is a leading world economy, it has a special duty for its economy to use natural resources sustainably. To re-take the Kantian categorical imperative: Act as if the maxim under which you act can be universalised. The UK economy needs to be such that, if universalised, there are sufficient natural resources to sustain it over generations.