

Love as Risk-Bearing Capital:

The Good Life and Economics

By Lans Bovenberg¹

Note from author: My proposition here is that love is crucial in economics.

The good life is sometimes flatly thought of as pursuing your own interest and to be focused exclusively on increasing consumption. My vision differs from that. A fine image of the good life is *Alpe d'HuZes*. This is a sponsored activity, whereby participants gather money as a team to combat cancer. I had the privilege of participating in such a sponsored activity back in 2009. I have seldom seen so much emotion. The reason is that here three godly elements are combined. In the first place, climbing Alpe d'Huez takes a lot of exertion: the price is high. Secondly, participants exert themselves together with others as members of a team. Thirdly, participants engage in this on behalf of people who struggle with the deathly disease of cancer. The good life revolves around serving *with* and *on behalf* of others. That is a divine model. The Father, the Son and the Holy Spirit co-operate in the adoption of humanity into their divine community of love.

Looking without Glasses Is Impossible

People always wear glasses of one kind or another. So do I. In that sense, the relationship between faith or worldview and economics is much closer than is often thought. What is the relationship between faith and science? For me, these are two different ways of achieving insight. Science concentrates on the visible part of reality, where we can learn rationally, that is to say, on basis of empirical data and repetitive experiments. Faith goes beyond that. Faith also uses intuition and trust to address questions that are now answerable only by the scientific

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method. And those often are the most important questions. Faith is not irrational but acknowledges the limitations of reason and therefore also depends on intuition and trust. A Christian might say: “Trust on the Spirit as divine emotion or intuition.” That brings me to my own Christian faith. I believe in a triune God: the Father, the Son and the Holy Spirit are one in service. God’s deepest being is relational, which also holds for human beings as image of God. In the social sciences we study the best image we have of the invisible God. It would be good if theologians would also concern themselves more with the current social reality, for that is especially where God can be found.

Misconceptions about Economics as a Science

I will begin with updating your view of economic science in so far as that is necessary, of course. When some theologians but not they alone, speak about economics, they often create a straw man, whether it is about the micro or macro level. At the micro level economists are seen as rational, egoistic machines that have as their highest goal to acquire material wealth. The image of the *homo economicus* that many ascribe to economists consists largely of rationality and egoism. On the macro level, that is to say, at the level of society as a whole, economists allegedly believe that market economics automatically delivers a well functioning society.

I am happy to emphasize that modern economic science is much more nuanced than that. My own area of expertise serves as a good example. Within Netspar, the knowledge network in the areas of pensions and ageing, you won’t find a single economist who thinks that people and markets are so perfect that complete individual freedom of choice is desirable without any institutional restrictions.

Mico- and Macro-Economics

It is precisely the imperfections of both humanity and society that makes economics such a challenging occupation. Empirical micro-economic research, for example, shows that humans are considerably less rational than the human image if the *homo economicus* suggests. In the first place, people often do not know

what they want: human preferences are not stable. In the second place, humans make systematic mistakes due to their limited cognitive capabilities. In the third place, they lack the willpower to carry out what they want. Personal responsibility does not work automatically.

Further, besides their own material welfare, human also value all sorts of immaterial things such as honest, moral behavior while they also value their own welfare in association with that of others. Economics is not only about money, but about everything that is scarce and has access to alternatives. Thus, you could call economics the “art of choosing.”

And then there is the macro level. The interesting problems for an economist relate to situations in which markets and contracts either are lacking or are incomplete. Economists are constantly busy to establish institutions in such a way that the various interests run parallel to each other. Economists call this “the internalizing of external effects.” The highest goal for an economist is the creation of win-win situations and not, as many think, the maximizing of the GNP.

By organizing various interests in line with each other not only do the market and government play a role, but so do social norms and intrinsic values. That is especially the case in a modern service- and knowledge economy that is based on GEPASSIONEERD ONDERNEMERSCHAP EN BEZIELDE DIENSTBAARHEID and creativity. Thus, a modern economist lives with the trinity of market, government and morality.

The Pursuit of Your Own Happiness--a Good Motive

What drives people and how do they make choices? One motivation recognized by both economists and theologians is striving for happiness and meaning. There is nothing wrong with this motivation. To the contrary, Jesus Christ constantly recommends this to people. He challenges us to go intentionally for the richest treasures, for example, when He invites us to gather lasting heavenly treasures

that do not rust. Jesus is the *homo economicus par excellence*.² To intentionally strive for your true self-interest in the good life is an excellent normative point of departure—at least, if rationality and self-interest are interpreted in a sufficiently wide perspective, namely, not only in financial or material terms and not apart from others.

Another question is whether people of flesh and blood really act rationally. Both the Bible and behavioural economics reveal that people often fail as this front when, for example, there are complex decisions at stake with an inter-temporal aspect. Think of a study loan or about saving for your pension. That's the reason people need assistance from others.

The Role of Love

Where is genuine happiness and meaning to be found? Jesus Christ says in John 15:11-12: "I've told you these things for a purpose: that my joy might be your joy, and your joy wholly mature. This is my command: Love one another the way I loved you" (*The Message* translation). The Christian tradition teaches that happiness or joy are not within reach without love. Now divine love is something concealed. Nevertheless, I will attempt a definition, namely this: the promotion of the happiness of the other because you are intent on shared happiness. You serve the other because you find joy in the happiness of the other. It is all about "us together" rather than "just me."

Loving does not happen on its own, partially because there often is an inter-temporal aspect in play. Jesus talks about the "narrow way." Often the the cost is high in the short term, while the benefits are enjoyed later. Loving therefore also has to do with trusting and has a relational aspect from the beginning. In the Christian tradition, love begin with faith—in other words, trust—in a good God who has an eye on your happiness. Faith, that is, trusting in a good God, liberates people from the motivation that is opposite to love, namely fear. Faith, holpe and klove form the production process in the Kingdom of God.

²Translator's note: Let it be understood that Jesus here is not declared an economist, but, rather, a person who, like all of us, makes economic decisions, but in a "smarter" way than we do. He is Wisdom personified, God's Wisdom.

In economic terms, love means that you internalize the happiness of the other. Your interest and that of your neighbor run parallel to each other. The Bible teaches that there is a deep harmony between your own happiness and that of the others. After all, a happy life is out of reach without love. Your own self-interest lies not in egoism, that is, seeking happiness in yourself, but in love, that is, to seek happiness outside yourself in the other. Paul says in I Corinthians 13:3, “If I give everything I own to the poor and even go to the stake to be burned as a martyr, but I don’t love, I’ve gotten nowhere.” At its deepest level, love has its benefits that focuses on the reward of shared joy.

When Jesus is asked about the core meaning of life, He says in Mark 12:29-31, “The first in importance is, ‘Listen, Israel: The Lord your God is one; so love the Lord God with all your passion and prayer and intelligence and energy.’ And here is the second: ‘Love others as well as you love yourself.’ There is no other commandment that ranks with these.”

God is one in service. Love turns life into one. Our heart—our emotions and intuitions—and our mind are one in that context. Furthermore, there exists a fundamental unity between loving God, the other and yourself. Love results in a healthy society at the macro level with self-interest understood properly at the micro level.

The Need for Additional Mechanisms for Co-ordination

Unfortunately, our reservoir of love is limited. That is why a problem arises in the society. Interests collide. Thus we cannot depend merely on the motivation of love to develop a good society. According to Friederich Holderlin, “Whoever wants to create a heaven on earth, runs the risk of creating a hell.” The paradox is that love in such an imperfect world means that we cannot fully trust love. That is the reason economists search for ways other than love in order to allow these various interests to run parallel and to motivate people extrinsically. They try to arrange society in such a way that people can become materially rich only by serving one another. Our country is not richer than Zimbabwe because we are

smarter, but because we have succeeded better than Zimbabwe to line up our various interests with each other and so motivate people to work together.³

But the creation of win-win situations is a never-ending search. There are always cunning or devious ways whereby people enrich themselves by harming others instead of serving them. Economists call this form of hidden theft *market imperfections*. The balance between various institutions during the formation of a good society is complex. It could be said that we need the market in order to fill the vacuum in the love: We often exert ourselves for others only when we ourselves stand to profit in terms of status or material gain. But the market and contracts are also imperfect. That is why we need love to fill the vacuum in the market.

Complex Relations between Extrinsic and Intrinsic Stimuli

An important problem is the relationship between extrinsic and intrinsic motivation. On the one hand well functioning markets and financial incentives can teach people to consider the interests of others. Already way back then Adam Smith and David Hume posited that labour is a socializing force if you prevent people from enriching themselves via hidden theft. However, over against the Smith-Hume thesis there stands the so-called thesis of self-destruction, which posits that the market erodes the values that constitute its foundation. Thus there is evidence within economic psychology that extrinsic incentives hollow out intrinsic motivations. The British poet T. S. Eliot verbalized it this way: “They constantly try to escape. From the darkness outside and within. By dreaming of systems so perfect that no one will need to be good.”

The Risk of Building on Intrinsic Incentives and the Requirement of Trust

The quality of a society can be measured by how we react to disappointed expectations and the pain of moral failures and how we then offer consolation. We are all fallible people. Evil resides not only in the other but also in ourselves. But in spite of our fallibility and brokenness, as children of God we are loved and

³Translator: Could one not consider that difference as an indication of being smarter? The point here is that there seems to be something missing in the argument.

valued. That, to me, is the core of the Christian faith. The only real evil is the hypocrisy of denying your own failure such as the lack of critical self-reflection which usually results in moralizing and in judging the other. Think of the famous story of the beam and the splinter (Matthew 7:3-5; Luke 6:41-42).

The consciousness that we are all fallible and that therefore life is full of risk, provide for a warm, human society. In such a society people dare to both give and take responsibility while it also develops moral wisdom and multi-coloured creativity. The greatest danger of the European debt crisis is that we search for scapegoats. Let us with the knowledge of hindsight clearly identify our mistakes and establish new borders. *Never waste a good crisis!* But let us be on our guard against moralizing about those South European bankers who spend recklessly. No, we must intentionally focus on win-win situations! It is better to follow the example of how Jesus related to the bankers of his days, the publicans and toll collectors, and others who in the eyes of the people and the religious elite committed all sorts of evil. Jesus saved his harshest words for the moralizing religious elite.

Conclusion

As an economist in the tradition of Tinbergen, I try not only to increasingly understand the world more but also to influence it, so that people may find their true happiness. That good life lies in service with and for others. That is the divine model. The Father, the Son and the Holy Spirit work together to elevate mankind in their divine community of love. That costs blood, sweat and tears—yes, the costs are considerable!—but the benefits are higher. For God desires, longs for us. The good life is not about minimalizing pain so much as it is pursuing happiness that is offered to us by a loving, gracious God. With the happiness that was awaiting Him, Jesus did not shrink from the extreme pain and shame of the cross, according to the writer of Hebrews. “Let us throw off everything that hinders and the sin that so easily entangles. And let us run with perseverance the race marked out for us, ²fixing our eyes on Jesus, the pioneer and perfecter of faith” (Hebrews 12:2). Jesus is the founder and perfecter of the faith. He is the model of faith and trust.

An economist who desires to promote the good life, must consider the role of merciful love. That love is not just sugary namby-pamby, but requires faith, 0065ertion and forgiveness and place “we” in the centre instead of “me.” Love is risky and does not prevents things from going wrong. It is not for nothing that in the Christian tradition love and the cross are closely related to each other. But merciful love also offers the opportunity to constantly make a fresh start by focusing on the other in place of the pain that we suffer. Economists and society badly need that risk-bearing capital during critical times in which many are disappointed in others. “Love does not delight in evil but rejoices with the truth. It always protects, always trusts, always hopes, always perseveres” (1 Corinthians 13:6-7).