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# Impact Evaluation Under the Banner of the Cross: An Integrated Approach to the Evaluation of Poverty Alleviation Programs

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**IMPACT EVALUATION UNDER THE BANNER OF THE CROSS:  
AN INTEGRATED APPROACH TO THE EVALUATION OF  
POVERTY ALLEVIATION PROGRAMS**

*A thesis by*  
*Stephen M. Pitts, SJ*

presented to  
The Faculty of the  
Jesuit School of Theology  
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in partial fulfillment of the  
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*May 2018*

Committee Signatures

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Professor Thomas Massaro, SJ, Director

Date

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Date

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AN INTEGRATED APPROACH TO THE EVALUATION OF  
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**ABSTRACT**

This thesis proposes normative criteria of individual and social welfare to evaluate poverty alleviation programs. Since World War II, both governments and NGOs have implemented a variety of development projects to address the poverty of individuals and groups around the world. The emerging field of impact evaluation applies a methodology borrowed from clinical drug trials to measure the effect of these projects on the populations that they serve. Sixty years of the history of development reveal that despite the sophistication of the statistical techniques, the field cannot offer basic guidance on what outcomes to measure.

In response, this thesis develops a set of criteria that integrates resources from development economics, Catholic Social Teaching, the capability approach of Martha Nussbaum and Amartya Sen, and the political philosophy of John Rawls. First, it proposes five criteria of individual welfare that these fields all share: human dignity, political rights, socio-economic rights, internal goods, and agency. Next, it proposes five criteria of social welfare by integrating complementary themes from different fields: social welfare and the common good, solidarity and social capital, subsidiarity and small-scale development, extractive institutions and mutual relationships, and authentic development as growth in vulnerability.

Finally, it applies these criteria to a case study of indigenous coffee growers in Chiapas, Mexico to compare the effects of Mexican government social programs, the fair trade coffee movement, and the value chain reform proposed by the Batsil Maya coffee cooperative that is sponsored by the Jesuit mission of Bachajón. Using these criteria, it judges that the work of Batsil Maya represents more authentic human development than the other two approaches because of 1) its integration with other mission projects that encompass all aspects of the lives of the Tseltales; 2) the way it addresses the structural forces responsible for Tseltal poverty; 3) the reciprocal relationships of mutuality that it fosters among all those who collaborate in the project.

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Professor Thomas Massaro, SJ, Director

Date

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# Introduction

This thesis argues that traditional methods of impact evaluation in the discipline of development economics do not consider enough aspects of the reality of the poor to deeply address the structural problems at the heart of poverty. This introduction will use the case study of the Tzeltal population in northeastern Chiapas as well as three potential approaches to alleviate their poverty in order to motivate this claim. The limited vantage point of impact evaluation leaves it unable to compare meaningfully these three interventions, which all address the symptoms of the Tseltales' poverty but that vary in the extent to which they address the root causes of this same poverty. All of these interventions have received favorable evaluations from development practitioners. Yet they are very different in scope and approach, and each was evaluated using different criteria. The question emerges: could a single set of unified criteria provide a common vantage point to evaluate all of them? The thesis will propose a set of unified criteria in the form of aspects of individual and social welfare.

Chapter 1 lays the groundwork. It will examine more deeply the structural factors at the heart of the Tseltales' poverty, the history of impact evaluation, and two resources for these criteria: capability theory and Catholic Social Teaching. Chapters 2 and 3 will outline these criteria: five aspects of individual welfare and five aspects of social welfare. The conclusion will return to these three interventions and apply the criteria that the thesis has developed to them to deepen existing evaluations of the interventions and allow for these interventions to be compared to one another. It will label this new approach, "impact evaluation under the banner of the cross."

## I. The Case

Our story begins with the Tseltal people. Despite the presence of one of Mexico's most lucrative natural resources, this group of indigenous in the state of Chiapas suffers from the worst poverty in the country, even though the coffee they grow ranks as the second-most traded commodity in value in the world after oil. Official statistics from the Mexican Secretariat of Agriculture rank Mexico ninth among coffee-producing nations in general and second among producers of organic coffee.<sup>1</sup> In 2016, Mexico exported \$334 million of raw coffee, around 1% of its total exports.<sup>2</sup> The state of Chiapas in turn accounts for 35% of Mexican coffee production. 98% of its 181,000 coffee farmers farm five hectares or less of land, qualifying as smallholder farmers.<sup>3</sup>

These indigenous smallholder coffee farmers qualify as some of the poorest inhabitants of Mexico. 2016 figures from CONEVAL (The Center for National Welfare) classify 77% of the residents of Chiapas as living in poverty and 28% in extreme poverty, the highest percentage of any Mexican state. Moreover, Chiapas ties with neighboring Oaxaca as featuring the highest number of indigenous-speaking Mexicans, over one million apiece.<sup>4</sup> Nationwide, of half a million coffee producers, 70% are indigenous. The

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<sup>1</sup> "Carpeta Delegaciones Convención Internal Del Cafe," *Sagarpa*, last modified 2015, accessed March 20, 2017, <http://www.sagarpa.gob.mx/Delegaciones/oaxaca/Documents/2015/Difusi%C3%B3n%20y%20Eventos/Convencion%20Internacional%20del%20Cafe%202015.pdf>.

<sup>2</sup> "OEC - Coffee (HS92: 0901) Product Trade, Exporters and Importers," accessed November 2, 2017, <https://atlas.media.mit.edu/en/profile/hs92/0901/>.

<sup>3</sup> "Programa Institucional INCAFECH," *Programa Institucional INCAFECH*, accessed November 2, 2017, [http://www.planeacion.chiapas.gob.mx/planeacion/actualizacion\\_20151019/Programa%20Institucional%20INCAFECH%20validado.pdf](http://www.planeacion.chiapas.gob.mx/planeacion/actualizacion_20151019/Programa%20Institucional%20INCAFECH%20validado.pdf).

<sup>4</sup> Instituto Nacional de Estadística y Geografía (INEGI), "México en cifras.Chiapas," last modified January 1, 2008, accessed November 2, 2017, <http://www.beta.inegi.org.mx/app/areasgeograficas/?ag=07>.

question of why these indigenous cannot earn a decent living in this lucrative industry motivates this entire thesis. Only a full understanding of the history of Chiapas will explain how an indigenous group that has grown corn and beans for centuries for communal consumption at present grows coffee as its primary cash crop to sell on the international market. Chapter 1 will examine these structural factors. For the moment, the introduction continues with three different approaches to alleviate their poverty.

## **II. Three Approaches**

The poverty of smallholder agricultural producers is not unknown in the field of international development. The case of the Tseltal people provide a representative example, not only of the problem, but also of three possible solutions: fair trade, conditional cash transfers, and value chain reform. Each of these solutions targets a different piece of the issue. Moreover, all have received favorable evaluations by development practitioners, but the evaluations are based on different criteria and thus cannot be compared to one another. This section will summarize these three solutions in order to demonstrate the present fragmented state of impact evaluation.

### **Fair Trade**

First, it turns to fair trade. Fridell traces the history of the fair trade movement since its reorientation in 1988 as a complement to globalization that enhances the ability of its partners in the developing world to participate in its opportunities.<sup>5</sup> Briefly, fair trade seeks voluntary commitments from TNCs (transnational corporations) to pay a higher than market price for products produced by fair trade cooperatives. The “social

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<sup>5</sup> Gavin Fridell, *Fair Trade Coffee: The Prospects and Pitfalls of Market-Driven Social Justice*, 1st edition. (Toronto: University of Toronto Press, 2007), 52–100.

premiums” on the price funds the development of social and physical infrastructure. To receive fair trade certification, cooperatives must abide by minimum labor standards.

Initially in Europe and then in the United States in the past 25 years, fair trade coffee has expanded both in consumer awareness and sales. Nevertheless, empirical evaluations have failed to show consistent gains from fair trade certification: a recent analysis of data from a Central American association of coffee cooperatives concluded that the extra costs of fair trade certification absorbed all of the rents<sup>6</sup> the producers could have earned on the price premium.<sup>7</sup>

Advocates of fair trade would argue that despite the lack of additional rents, the social premiums provide a positive externality in terms of the development of the communities in which the fair trade programs reside, but impact evaluations of fair trade programs have not measured these externalities. Fridell acknowledges the critique of fair trade that emphasizes how it fails to deal with the structural issue of the coffee market that chapter 1 will examine in more detail: the inability of smallholder producers to participate in a way other than selling raw materials at a price that they cannot control. Both of these points reveal the necessity to employ a broader set of criteria in impact evaluations of fair trade, that take into account potential benefits and shortcomings.

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<sup>6</sup> In economics, rent means “a payment to the owner of an input beyond the minimum necessary for the factor to be supplied.” In colloquial terms, these payments refer to any profits beyond the price set by the interaction of supply and demand in the market. Jeffrey Perloff, *Microeconomics: Theory and Applications with Calculus*, 3rd edition. (Boston: Pearson, 2013), 766.

<sup>7</sup> Alain de Janvry, Craig McIntosh, and Elisabeth Sadoulet, “Fair Trade and Free Entry: Can a Disequilibrium Market Serve as a Development Tool?,” *Review of Economics and Statistics* 97, no. 3 (January 29, 2015): 567–573.

## Conditional Cash Transfers

The next approach deals with this structural issue from the side of the Mexican government as a result of an important political development in Chiapas in the 1990s. On January 1, 1994, the Zapatista Army of National Liberation (EZLN) began a two-year campaign against the Mexican government in Chiapas. This thesis cannot in detail examine the interaction of regional social grievances and outside pressure that instigated this conflict, but it bears noting the EZLN's strong statements against neoliberalism and its substantial indigenous support, especially among groups in north-central Chiapas like the Tseltales, who had suffered from unjust land arrangements for the entire century and the collapse of the coffee market for nearly the entire previous decade. Chapter 1 will provide more detail on the history of land tenure in Chiapas. As a key result of the Zapatista revolution, the Mexican government purchased and returned 250,000 hectares of land to smallholder farmers (1994-97).<sup>8</sup>

Around the same time, in 1993, the Mexican government began a series of subsidy payments (PROCAMPO) to smallholder farmers as a result of the impending adoption of NAFTA. The program describes itself as an “internationally accepted mechanism to transfer resources that helps people of low means who produce primarily for their own consumption without distorting the market.”<sup>9</sup> The program provided subsidies, per hectare, up to five hectares. Though coffee does not appear on the list of

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<sup>8</sup> Daniel Villafuerte Solís, “Rural Chiapas Ten Years after the Armed Uprising of 1994: An Economic Overview,” in *Rural Chiapas Ten Years after the Zapatista Uprising*, ed. Sarah Washbrook (London; New York: Routledge, 2007), 45–67.

<sup>9</sup> “Antecedentes,” accessed November 13, 2017, <http://www.sagarpa.gob.mx/agricultura/Programas/proagro/Paginas/Antecedentes.aspx>.

crops that it subsidizes, in practice the program provided additional income for Chiapas coffee producers, who grew corn for themselves.

PROCAMPO has fared better in impact evaluations than fair trade programs. In the early 2000s, Sadoulet et. al. find an “income effect” of 1.5 to 2.5 times the value of the cash payments themselves because of access to land through the land reform and technical assistance in crop growing.<sup>10</sup> Moreover, PROCAMPO represents a recent trend in international development: the use of cash payments to individuals who qualify under certain conditions (conditional cash transfers) instead of other market interventions. Despite the income effect, however, the question remains: does PROCAMPO just mitigate the symptoms of NAFTA or address the root causes?

Another Mexican government social program stands out in this regard, PROGRESA, which since the early 1990s has given cash payments to families if they send their children to school and receive regular health checkups with the rationale that these investments in human capital will reap long-term benefits. The Mexican government designed PROGRESA with the help of development economists, who made available the public data sets that they used to evaluate it, and it has inspired a volume of literature as well as similar social programs around the world.<sup>11</sup>

Nevertheless, recent literature on PROGRESA has shown “heterogeneous treatment effects”; in other words, program benefits vary depending on other factors and the combination of PROGRESA and PROCAMPO partially offsets the effect of either

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<sup>10</sup> Elisabeth Sadoulet, Alain de Janvry, and Benjamin Davis, “Cash Transfer Programs with Income Multipliers: PROCAMPO in Mexico,” *World Development* 29, no. 6 (June 1, 2001): 1043–1056.

<sup>11</sup> “Mexico, Evaluation of PROGRESA :: IFPRI Datasets,” accessed November 13, 2017, <http://ebrary.ifpri.org/cdm/ref/collection/p15738coll3/id/8>.

one.<sup>12</sup> These factors resemble the “conversion factors” of the capability approach that determine the ability of individuals to utilize an external resource.

The Mexican government likely cannot do much more, however. Aside from the issue of land ownership, it is prevented by NAFTA from directly addressing the problematic features of the coffee market. It can only hope that a solution will emerge from within the market itself. Thus, criteria that only examine symptoms can judge PROCAMPO and PROGRESA as successes; but other criteria that take into account the structural factors at play would regard them as failures.

### **Value Chain Reform**

As a third approach to the situation of the Tseltal coffee growers, this thesis proposes the Jesuit-sponsored coffee cooperative Ts’umbal Xitalha’ (or TX).<sup>13</sup> TX addresses the structural problems with the coffee market in a deeper way than either fair trade or PROGRESA/PROCAMPO. Its history began when in response to the invitation of the local bishop, Jesuit missionaries arrived in 1959 to begin work with the Tseltal people.<sup>14</sup> At first, they visited the people in their villages and organizing catechetical courses for them. In the wake of the Second Vatican Council, they translated the Bible and the liturgy into the local language and began an indigenous diaconate program. Their

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<sup>12</sup> Sudhanshu Handa et al., “Heterogeneous Treatment Effects in Conditional Cash Transfer Programmes: Assessing the Impact of ProgresA on Agricultural Households,” *Journal of Development Effectiveness* 2, no. 3 (September 17, 2010): 320–335.

<sup>13</sup> Graciela Messini and Enrique Pieck, *Ts’umbal Xitalha’*. *La Experiencia de Una Cooperativa de Café: El Camino de La Sistematización* (Mexico City, DF: Universidad Iberoamericana, 2012), accessed November 13, 2017, [http://www.iberomx.mx/web/files/publicaciones/tsubmal\\_xitalha.pdf](http://www.iberomx.mx/web/files/publicaciones/tsubmal_xitalha.pdf).

<sup>14</sup> Alexander Zatyryka, “Transmission of the Christian Faith with a Mayan Identity : The Bachajón Mission in Chiapas, Mexico (1959 - 2001),” *Studia missionalia* 62 (2013): 305–330.

work along with the local church for human rights in the 1960s and 1970s laid some of the intellectual groundwork for the Zapatista uprising.

In addition, guidance from Catholic Social Teaching (hereafter CST) in this period of economic development also influenced the Jesuits' work in Chiapas. As subsequent chapters will explain, social encyclicals have repeatedly emphasized importance of allowing producers in the developing world access to markets in the developed world. CST considers this market access as a matter of justice that means more in the long run than the charity of conditional cash transfers.

In the early 1990s, in the wake of the collapse of the International Coffee Agreement, the Jesuit mission's Center for Indigenous Human Rights (CEDIAC) helped a small group of producers organize into a coffee cooperative to provide an alternative avenue to sell their raw coffee. The goal was to establish more favorable terms than those available through *coyotes*, who were charging the highly volatile international price of coffee.<sup>15</sup> Any Mexican citizen can join TX, provided that they convert to organic farming practices within one year and that they do not belong to any other cooperatives. The governing board of the cooperative sets the price every year, based on the income from the previous year.

Staff members of the cooperative accompany coffee producers to maximize the quality of their harvest. In recent years, expanding membership in the cooperative has allowed it to increase the price that it can offer coffee growers and invest in more production equipment so as to expand the amount of the coffee that it can purchase.

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<sup>15</sup> In the north of Mexico, the term *coyote* refers to a broker who helps potential immigrants cross the border outside of legal channels. In the south of Mexico with coffee production, the term *coyote* refers to a coffee buyer. In both cases, the connotation implies that *coyotes* take advantage of their clients.

Many qualitative studies have documented the increase in agency and quality of life that TX has provided, but until this year, no quantitative study had employed the methodology of impact evaluation to evaluate TX.<sup>16</sup> Thus, while on the one hand TX addresses the structural issues more deeply than either fair trade or conditional cash transfers, the qualitative evidence of its success does not dialogue naturally with the quantitative studies of the other two methods. A companion thesis in the field of development economics by the same author of the present thesis will provide quantitative support to these qualitative claims. In addition, the expanded criteria of this thesis will allow for an evaluation of TX that incorporates both qualitative and quantitative methods.

### **III. The Task Ahead**

Each of the three projects we have briefly surveyed addresses in a different way the plight of the Tseltal people. Fair trade projects create an alternative within the existing market structure that diverts rents to addressing some of the structural causes of poverty, such as lack of human capital, but not others, such as the organization of the coffee market. Even if impact evaluations judge that fair trade cooperatives do not impact coffee prices, might they help in other ways?

PROCAMPO, PROGRESA, and Mexican government land reforms take the opposite approach: they provide physical capital (land and cash) in return for investments in human capital (health and education). Despite their good intentions, they seem like a Band-Aid that does not address problematic market structures in any deep way. How may

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<sup>16</sup> “Yomol Nohptesel | Comunidad de Aprendizaje Vinculada a Yomol A’tel,” accessed April 9, 2018, <https://yomolnohptesel.wordpress.com/>. At present, nineteen studies are complete or in process about Yomol A’tel, including the present thesis. All but one (the economic impact evaluation in progress) come from qualitative disciplines such as sociology, anthropology, theology, and international development.

we balance the short-term improvements in well-being that appear in the literature with the continuation of situations that may hurt the poor over the long term?

In contrast, Tsumbalil Xitalha' directly engages the structural forces responsible for the poverty of the Tseltales. My own involvement includes coordinating a quantitative impact evaluation using best practices in development economics to examine the impact of cooperative participation on income from coffee sales. This project is proceeding fifteen years after its foundation in 2002. Must we wait for these results to judge it as a better development project?

By combining the approaches of Catholic Social Teaching, a thick but often poorly specified body of thought, and Sen's capability approach, which stems from economic realities but at times searches for its own intellectual mooring, in the subsequent chapters this thesis develop normative criteria for the evaluation of development projects. Chapter 1 will provide more background on the reality of the Tseltales, the history of economic development, and the two intellectual resources: CST and the capability theory. Chapter 2 will outline five aspects of individual welfare. Chapter 3 will outline five aspects of social welfare. The conclusion will deploy these criteria of individual and social welfare to provide deeper evaluations of the three projects above: an "impact evaluation under the banner of the cross."

## **Chapter 1: Background and Context**

This chapter sets the context for a normative approach to evaluate the success of an economic development project. First, it looks at the present situation of the indigenous Tseltal people in the state of Chiapas in Southern Mexico, who make a living growing coffee. It provides background on two structural features of their poverty. Over the century, they have gone from growing corn for their own consumption on their own land to working as indentured servants on other people's land growing coffee for sale on the international market. In addition, the international coffee market does not allow them any control over the price of the raw beans that they sell. The situation of the Tseltal people is one example of a broader pattern in the developing world: people who make a living selling raw materials but who remain trapped in structural cycles of poverty.

Next, it surveys the history of the past sixty years of international development. Since World War II, development practitioners have examined the relationship between the export of commodities like coffee and the economic situation of the exporting countries. They have proposed that modifying the terms of this trade would improve the situation of these countries. Depending on the decade, the recommended approach to the coffee trade reflects the fad at the time: state coffee agencies, international export quotas, or free trade. None of these approaches have improved the livelihood of the people.

Recently, criticism from within the field of international development has revealed the overly technocratic focus of development: it has often offered large-scale injections of capital in developing countries from the outside without the consultation or involvement of local people. In many high profile cases, these injections of capital have not succeeded; sometimes, they have made the situation worse.

This debate within the field of development has revealed that despite advanced econometric techniques to measure outcomes, the field lacks basic criteria for judging what counts as effective development practice or even to choose what outcome to measure. Like the discipline of economics as a whole, development economics prides itself on its positive dimension (describing how systems and structures are) and lacks a normative dimension (proposing how systems and structures can be).

In response, this chapter introduces two resources that subsequent chapters will use to develop a normative approach to international development. First, the capability theory of Amartya Sen and Martha Nussbaum represents the most sophisticated strand of thinking about development ethics within the discipline of economics. It aims to justify and provide concrete guidance for measuring outcomes other than per-capita increase in GDP. Moreover, it is well known to development practitioners and forms the conceptual underpinnings of the Millennium Development Goals of the United Nations. Capability theory tries to draw a balance between respecting pluralism and proposing concrete characteristics of individuals to measure.

Second, Catholic Social Teaching contains the most sophisticated strand of thinking about development ethics within the Christian tradition. Addressed not only towards Catholics but also to all people of good will, it does not shy away from normative claims. Though it offers a rich theological anthropology of the human being who is the subject of development, the documents of CST often leave unspecified concrete ways to implement its ideals. This thesis will combine the practicality of the capability approach and the theoretical backing of CST into a set of five individual and five social aspects of effective development.

## I. A Story of Land and Coffee

Two factors have played a pivotal role in the present situation of the Tseltales: their struggle for control over agricultural production on their own land and the international coffee market where they sell their products. This section examines the first factor: how they lost control both over both their land as a whole and what crops they grew on it. Spanish, Germans, and non-indigenous Mexicans play a key role.

The history of Tseltal agricultural production begins around the twelfth century, when the Tseltal people emerged as a distinct group in the Lacandon Jungle, which stretches from present-day Chiapas to Guatemala. It continues through several waves of landowners from the outside: Spanish, Germans, and non-indigenous Mexicans. With the arrival of the Spanish colonists in the 16<sup>th</sup> century, the Tseltales came to work as hired laborers on the royal land grants (*encomiendas*) of the Spanish. Poor work conditions, little better than slavery, led to an uprising a century later in 1712.<sup>1</sup>

Over the next century, Chiapas' relative isolation granted it a reprieve from the history of Mexico up to Mexican independence in 1820. Historical records from that era record very few *ladino* (non-indigenous) residents in the traditional tribal lands of the Tseltales. In 1824, after shifting between Mexico and Guatemala, Chiapas was annexed by Mexico, at the urging of landowners near the colonial capital of San Cristobal de las Casas. Nevertheless, it remained isolated from the rest of the country; roads came at the end of the 19<sup>th</sup> century, and a rail connection with Mexico City did not come until the early 20<sup>th</sup> century.

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<sup>1</sup> Eugenio Maurer, *Los Tseltales: Paganos o Cristianos?: Su Religión, Sincretismo o Sintesis?*, 1a ed. (México, D.F: Centro de Estudios Educativos, 1984), 53–60.

Since the mid-19<sup>th</sup> century, land ownership and tenure rights in Chiapas have played a crucial role in the situation of the rural poor. During the dictatorship of Porfirio Diaz (1876-1910), as part of his project to bring “order and progress” to Mexico, the *Ley Lerdo* in 1863 offered land held by the Catholic Church and indigenous groups to potential investors at a very low price. By the end of the 19<sup>th</sup> century, indigenous communities no longer controlled their own land and thus many of their members worked as indentured servants once again.<sup>2</sup>

Bobrow-Strain identifies two parallel processes at work within this transformation of the northeastern part of Chiapas in the latter half of the 19<sup>th</sup> century. First, *ladino* landowners from San Cristobal and other parts of Mexico began to purchase large tracts of land that formed a system of *fincas*, or large estates, many of which remain in the present day. Nearly all of these *fincas* grew sugarcane as their primary crop; they distilled some of this sugar into cane liquor (*aguardiente*) and sold it to the indigenous people. Due to the combination of shifting political winds associated with the 1910 Mexican Revolution and the difficulty and violence associated with the illicit liquor trade, the cultivation of sugarcane ultimately faded by the early 20<sup>th</sup> century.<sup>3</sup>

Second, around the end of the 19<sup>th</sup> century, in response to Mexican government efforts to promote foreign investment, Germans from nearby Guatemala spearheaded the conversion of these sugarcane *fincas* into coffee plantations. Over the next decade, however, the collapse of the coffee market and the difficulty of finding local labor caused

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<sup>2</sup> Aaron Bobrow-Strain, *Intimate Enemies: Landowners, Power, and Violence in Chiapas* (Durham: Duke University Press Books, 2007), 49–53.

<sup>3</sup> *Ibid.*, 56–7.

the foreign coffee owners to begin to sell their plantations to *ladinos*. The Mexican Revolution only accelerated the process.

The Germans left behind agricultural practices that they borrowed from their African colonies. By the turn of the 20<sup>th</sup> century, half of the indigenous heads of household in the region of Chilón in northeast Chiapas worked as residential indentured servants on coffee estates. They divided their time between the landowner's crop, typically coffee, and their own crops, corn and beans for subsistence. Moreover, they received their wages not in Mexican pesos but in scrip to use at the estate's *tienda de raya* (company store). A key product available for purchase at this store was cane liquor. Many Tseltales remained trapped in this cycle of debt and alcoholism with only fictive access to their land and the fruits of their labor until the 1980s.<sup>4</sup>

Thus, through no fault of their own, the Tseltal people lost control of their land and moved from growing corn to sugarcane and finally coffee. Not only were they indentured servants but also they suffered from unjust labor practices and had to purchase at high prices basic staples that they could no longer produce for themselves. A cycle of dependence stretched on for a century, accentuated by alcoholism. The subsequent chapter will argue that any development project must not only deal with the economic symptoms of their situation but also restore a sense of their agency.

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<sup>4</sup> Ibid., 58–65.

## II. The Volatile Coffee Market

The previous section described how, as a result of outside influences, the Tselales lost control over both the crops they grew and the land that they grew it on. This story makes up the first structural factor at the heart of their present economic situation. The present section will describe the second one, the volatility of the international coffee market. Having produced coffee, they have to sell it to someone in order to make a living. The international coffee market has not provided them or other smallholder coffee farmers a reliable source of income. Rather, over the past hundred years, it has gone through several boom and bust cycles. Numerous national and international organizations have attempted to control the price of coffee in response to political realities, not the plight of the poor. Thus, the Tselales cannot even depend on a steady income from a crop they would rather not grow.

Since inauguration of the international coffee trade in the late 19<sup>th</sup> century, the price of coffee has exhibited tremendous volatility. At that time, Brazil, the largest coffee producer in the world with a 70% market share, could unilaterally control prices; in 1906, fearing “a bumper crop that would have caused the already low price to collapse completely,” the Brazilian government bought eight million bags of coffee, about a third of the world’s annual production, to keep it off the market.<sup>5</sup> Though the market intervention stabilized in the price of coffee in the short term, it took the government ten years to finally sell all of the coffee, and the whole effort required a tremendous amount of financing to pay for coffee purchases, storage, and insurance in the meantime. Nevertheless, the perceived success of the “1906 coffee valorization” created demand for

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<sup>5</sup> John M. Talbot, *Grounds for Agreement: The Political Economy of the Coffee Commodity Chain* (Lanham, MD: Rowman & Littlefield Publishers, 2004), 45.

similar actions in 1917, 1921, and 1925; through a regime of price control, the state came to manage all coffee exports through a state coffee agency.

Talbot points out the long-term consequences of these interventions. First, they did not address the fundamental domestic oversupply problems in the Brazilian coffee market. Second, the artificially high price of coffee motivated such Latin American countries as Colombia to continue to increase production as well. In the 1930s, faced with more surplus product than it could sell, the Brazilian state destroyed the equivalent of two years of worldwide coffee production. Despite its efforts, moreover, the global depression in the 1930s reduced the demand for coffee and the subsequent World War II cut off Latin American coffee exporters from North American markets. To keep Latin Americans from selling to Hitler's Germany, the United States came to support market intervention in the form of the Inter-American Coffee Agreement (1940-45), which by setting import quotas for the US market guaranteed Latin American producers higher prices.<sup>6</sup>

New actors emerged in the post-WWII period that affected the structure and dynamics of the market. Supermarkets sold coffee as a loss leader to promote certain brands of coffee. US coffee importers and roasters consolidated their market share, so that by 1978 four roasters accounted for 69% of US market share. In addition, they often used coffee blends from multiple countries as inputs to the roasting process. Thus, no coffee processors in the developing world could break into the US domestic market because of their lack of market knowledge and financial clout; moreover, they did not possess the logistical expertise to transport roasted coffee beans over long distances,

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<sup>6</sup> Ibid., 43–9.

since it must be consumed in a shorter timeframe than green coffee. In this way, developing world coffee producers could do nothing more than sell a raw material at a price they could not control.<sup>7</sup>

Talbot analyzes the coffee market after World War II using Karl Polanyi's notion of "double movement." At first the expansion in demand and reduction in regulation triggered another round of expansion in production capacity; the resulting oversupply then caused groups of producers to seek state action to stop the price decline. Initially, the United States, the largest importer of coffee, opposed state market interventions, but the Kennedy administration changed its position out of concern about the effect of a decline in the price of green coffee on the political stability of Latin America, which in 1960 still accounted for 70% of world coffee exports. In 1962, with US support, a group of coffee producing and consuming countries signed the International Coffee Agreement (ICA), which established an export quota system.<sup>8</sup>

The ICA functioned as a form of indirect aid from the US to its Latin American client states as well as from European powers to their former African colonies. Its success showed that collective action by producers could both stabilize and raise world market prices for coffee.<sup>9</sup> Negotiations to renew the ICA for the second time in 1973 failed, partially because of the effect of the United States' abandonment of the gold standard for the dollar on dollar-denominated coffee prices. In addition, instant coffee manufacturers began production in the developing world, changing the structure of the market by allowing developing nations to export a finished product. Two years later, market

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<sup>7</sup> Ibid., 51–55.

<sup>8</sup> Ibid., 55–8.

<sup>9</sup> Ibid., 65–6.

oversupply turned to market shortage. A severe frost in Brazil in 1975 killed half its coffee plants, and political instability in Ethiopia, Angola, and Uganda also affected production there. The coffee price rose from \$0.80/lb (1975) to \$2.20/lb (1976) and peaked at \$3.40 in 1977 in a market movement that Talbot calls “the most important event to happen in the coffee commodity chain in the post-World War II period.”<sup>10</sup>

Even as the price of coffee began to decline from 1977 through 1980, coffee producing countries manipulated the New York futures market in order to prop up and stabilize the price. In 1980, they succeeded in convincing coffee-consuming countries to agree to another round of export quotas, bucking a burgeoning global trend towards free trade. Even so, during the 1980s, state-funded investments in better agricultural techniques (*tecnificación*) created oversupply once again. In addition, World Bank and IMF structural adjustments incentivized many developing nations to expand their exports to repay debts. Furthermore, new coffee-consuming countries emerged that were not bound to the original ICA.<sup>11</sup> In 1989, negotiations to renew the ICA broke down after six months. Bates argues that the ICA’s success ultimately contributed to its decline. Its fixed export quotas worked so well that the system it supported could not adapt to changing market and political realities.<sup>12</sup>

Bates’ account also traces the effect of domestic political shifts in the United States as well as coffee-producing countries on the waning support of the ICA; this brief treatment will eschew details of these developments. In the international arena, however,

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<sup>10</sup> Ibid., 68–71.

<sup>11</sup> Ibid., 71–81.

<sup>12</sup> Robert H. Bates, *Open-Economy Politics: The Political Economy of the World Coffee Trade* (Princeton, N.J. Princeton University Press: Princeton University Press, 1999), 159–75.

he agrees with Talbot on the importance of US strategic interests in the twilight of the Cold War on the breakdown.<sup>13</sup> The ICA negotiating framework could not accommodate US demands to increase export quotas of its political allies in Mexico and Central America. Once negotiators from the other parties rejected the terms the United States sought, the Reagan White House decided to stand by as the ICA dissolved. It no longer faced the threat of communism in South America, and its support of free markets coincided with a worldwide movement toward free trade than began in the 1980s.

The breakdown of the ICA triggered the “coffee crisis” of 1989, when, despite a 13% increase in the volume of exports, total coffee earnings declined 27%. Without export quotas, the New York commodities market and associated financial speculation began to play an increasingly larger role in an increasingly volatile price. The situation that Talbot describes at the macro level still continues to the present day at the micro level among the Tseltal people:

The entire [coffee] chain, from the coffee fields, to the consumer’s cup, came under the control of the TNCs [Transational Conglomerates]. While the producing states still were able to exercise some control over the segments of the chains within their borders, they were no longer able to maintain international solidarity and influence world market prices. Therefore, they were no longer able to protect their coffee growers from the wild fluctuations in world market prices caused by financial speculation, or from the prolonged periods of historically low prices that prevailed during most of the 1990s. Increasingly, small peasant farmers producing coffee using family labor on one side of the market were directly confronting giant transnational conglomerates with state of the art information technologies, access to virtually unlimited financial resources, and a clear picture of the entire global coffee situation on the other side. It was no contest.<sup>14</sup>

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<sup>13</sup> Talbot, *Grounds for Agreement*, 81–97; Bates, *Open-Economy Politics*, 174.

<sup>14</sup> Talbot, *Grounds for Agreement*, 129.

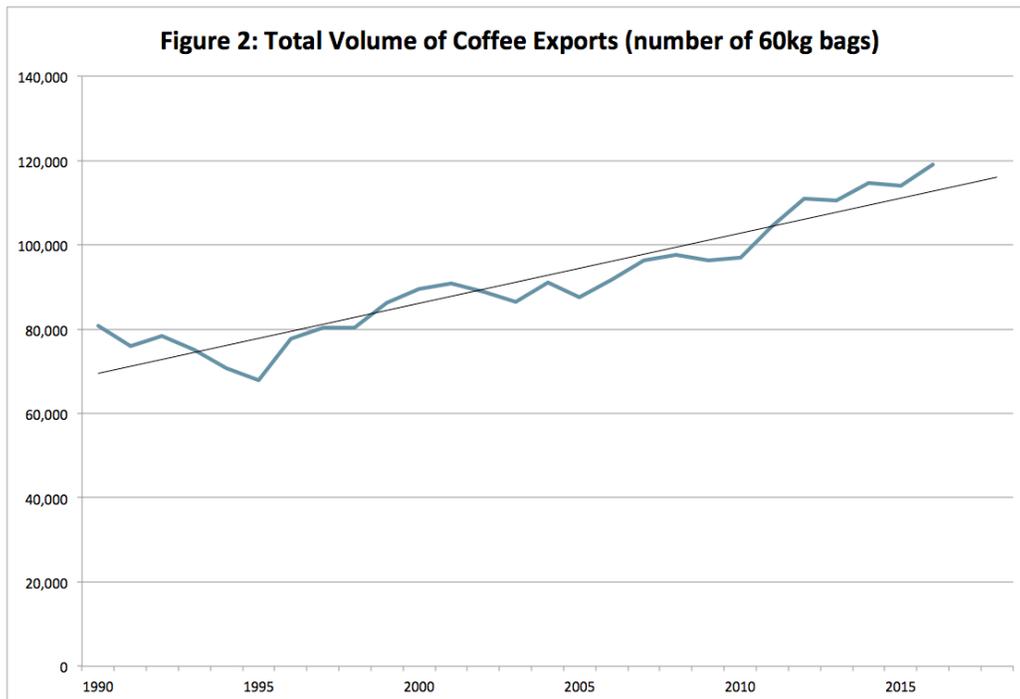
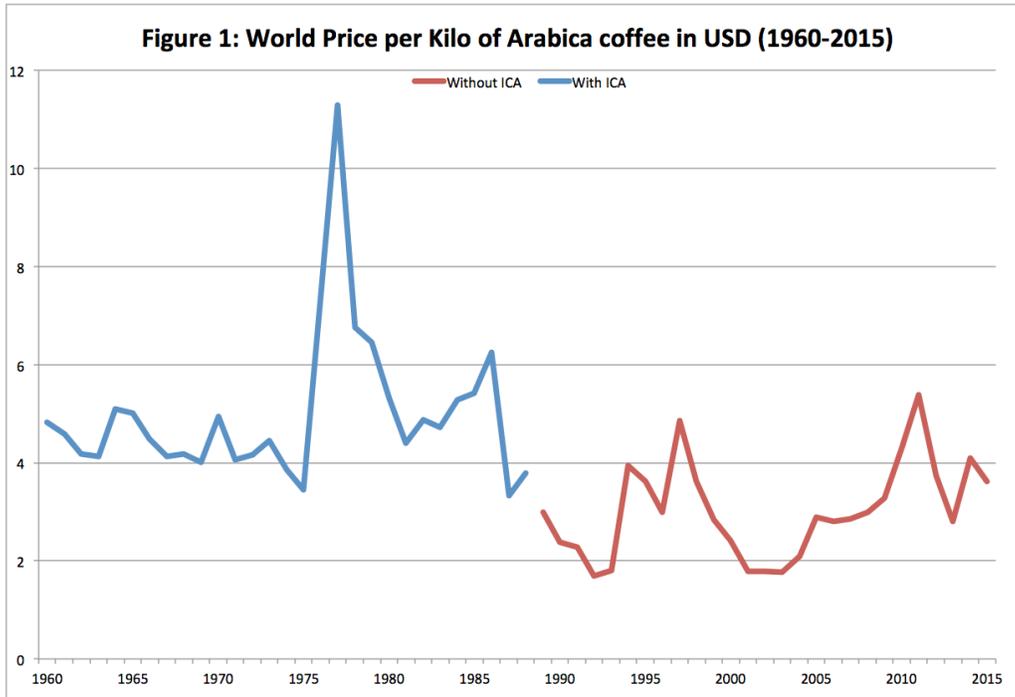


Figure 1 shows the per-pound price of coffee before and after the collapse of the ICA.<sup>15</sup> Aside from the effects of the Brazilian frost in 1975, it reveals that the price remained between \$4 and \$6 per pound under the ICA regime. Without the ICA, it drops below \$2, rises for some time, but then drops again. This price volatility stands out even more in light of Figure 2, which shows the steadily rising total volume of world coffee exports, as the trend line indicates.<sup>16</sup> These data indicate that despite the fact that political and corporate interests drowned out the voice of smallholder coffee farmers, the presence of the ICA still benefitted them.

The example of the coffee market shows that regulation of international trade can preserve its benefits while mitigating some of the adverse effects, especially price volatility. This point rings true especially in present debates about the effect of free trade agreements like NAFTA or the TPP on the developing world.

In addition, the coffee market encompasses more than the price a coffee producer can obtain for raw coffee beans. Daviron and Ponte coin the phrase “the coffee paradox”; as the data above illustrates, although coffee consumption continues to rise worldwide, prices for raw coffee keep dropping.<sup>17</sup> Their work outlines an additional factor beyond 1) the effect of the collapse of the ICA on the coffee market and 2) the rent-seeking

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<sup>15</sup> The data come from the annual real (adjusted for inflation) price per kilo of Arabica coffee in USD from “Commodity Prices – History and Projections” in “DataBank | The World Bank,” accessed November 6, 2017, <http://databank.worldbank.org/data/home.aspx>. Like many World Bank data sets, it only dates from 1960.

<sup>16</sup> This data comes from “International Coffee Organization - Historical Data on the Global Coffee Trade,” accessed November 2, 2017, [http://www.ico.org/new\\_historical.asp](http://www.ico.org/new_historical.asp).

<sup>17</sup> Benoit Daviron and Stefano Ponte, *The Coffee Paradox: Global Markets, Commodity Trade and the Elusive Promise of Development* (London ; New York : New York: Zed Books, 2005), xvi–xxiv.

behavior of coffee roasters, who have come to capture a larger portion of the finished product even as coffee farmers barely receive the marginal cost of production. They would also like to consider 3) the effect of intangible aspects of the cup of coffee, symbolic and in-person qualities of service, which further differentiate the product that coffee shop customers consume from the product that coffee farmers produce.

This analysis of the coffee market reveals two criteria that any development project that targets coffee growers must take into account. First, it must consider the welfare of all of the participants, including the smallholders who provide the raw materials. Second, it must address the structural makeup of the coffee market, including the regulation of the price of the raw material and the relative value of different aspects of the market: raw coffee beans, finished product coffee, and coffee cups at coffee shops.

### **III. Can Developing Countries Trade Their Way Out of Poverty?**

The previous section examined the structure of the coffee market. This section will connect this particular case to general thinking about the role of commodity trade as in international development. The coffee crisis of the 1990s occurred as the field of international development celebrated its fiftieth anniversary, having been inaugurated shortly after the end of the Second World War. Daviron and Ponte above provide a historical survey of the changing perspective of international development specialists on the relationship between commodity trade and development.<sup>18</sup> They argue that changing approaches like national organizations, international export quotas, and market

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<sup>18</sup> Ibid., 11–25.

liberalization did not just affect coffee markets but commodity markets in general. These changes reflected political fashion and not the interest of the poor.

Until World War II, debates about commodity practice considered primarily how to deal with oversupply problems such as those that plagued the coffee industry. In this time period, producers would organize among themselves to control the amount of the product on the market at any given time. After the war, the reconstruction of Europe and then the independence of former European colonies changed the dominant approach to commodities, from a problem of private enterprise to a policy issue on the national level. The solutions of this era involved the role of state coffee agencies to intervene in commodity markets to set prices and support the incomes of farmers. International trade played the role of an escape valve so that “countries traded only surpluses and deficits in international markets – in quantities required to ensure the equilibrium and hence the stability of the domestic market.”<sup>19</sup> For this reason, these authors point out the absence of any structure to manage international commodity markets in the initial phase of the international economic regime of the post-World War II period.

In fact, with the rise of structuralism in the 1950s, development experts tended to devalue the production of agricultural commodities and urge developing countries to practice import substitution by investing in increased domestic industrial production instead, since it could respond better to the productivity increases afforded by technology. Protectionism on the part of the developed world, however, inhibited the ability of developing countries to export their newly produced manufacturing goods; moreover, developing countries needed foreign currency to purchase industrial equipment and raw

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<sup>19</sup> Ibid., 14.

materials. Thus, commodity exports continued, especially of “exotic goods” for which they had a comparative advantage.

In the 1970s, development thinking changed in three important ways: 1) alleviating poverty supplanted increasing national wealth as the goal of development efforts; 2) a global approach for these issues replaced a national one; and 3) the failure of state-centered approaches to planning led to a preference for market-based initiatives. This shift in thinking fueled various types of policy proposals that reflected liberalization in markets: privatization of state-run public enterprises such as national coffee organizations and elimination of subsidies, taxation, and other domestic price stabilization devices. Trends in the commodity price of coffee before and after the ICA regime, however, demonstrate that market liberalization increases, not decreases, price volatility. World Bank guidance from the 1980s advocates efforts to alleviate the effects of price volatility on smallholder farmers through the use of crop insurance and local credit institutions instead of eliminating them through export quotas or centralized price controls.

Through the 1990s, states and large firms continued to receive a large share of the blame for lack of equitable trade arrangements: developed states use tariffs and subsidies to protect domestic production and restrict market access for products from the developing world. The fair trade movement, which a subsequent section will examine in more detail, represents a response to this trend. In addition, large firms that control steps higher up the value chain of commodity productions continue to retain a large portion of the rents; in the case of coffee, these firms roast, brand, market, and sell the coffee.

Here Daviron and Ponte's approach contributes to the literature with their examination of the global value chain. Their historical survey illustrates the complex constellation of factors responsible for the poverty of smallholder coffee farmers and others who depend on the trade of other commodities and the failure of fifty years of development thinking. Neither a variety of approaches by the growers themselves, nation states, international organizations, nor NGOs succeeded in the past bringing about a meaningful change in their situation, because they have not proposed structural changes to this global value chain. Their new analytic tool, however, offers promise for more sophisticated interventions that could succeed where others have failed.

#### **IV. Development as more than Technocratic**

Mainstream development economists have begun to acknowledge what scholars like Daviron and Ponte have pointed out. This section will survey recent work by leading development economists William Easterly and Jeffrey Sachs that demonstrates the extent and limitations of the self-knowledge of development economists. A survey of the state of the field will show the potential contribution to the normative approach of this thesis.

First, William Easterly recognizes the failure of past efforts at international development and the need for change. Post World War II development practice has failed many parties besides smallholder coffee growers. In a recent book, he highlights the "two tragedies of the world's poor": 1) the fact that their situations of poverty persist; but also 2) the fact that as of 2005 the West has spent \$2.3 trillion on foreign aid with

dubious results.<sup>20</sup> He distinguishes two types of development practitioners. Planners such as Jeffrey Sachs,<sup>21</sup> whose mindset Easterly likens to post-Enlightenment utopian social planners, set ambitious goals and propose grand sweeping plans. Like Davies and Pontes above, Easterly's reading of the history of international development reveals the failure of these plans to come to fruition: the UN Millennium Development Goals, which aim at the elimination of concrete causes of poverty by 2025, emerged out of the failure of a similar UN summit in 1990 to eliminate poverty by 2000.

In Easterly's account, many development projects have consisted of nothing more than injections of unaccountable capital from the outside: physical capital, like roads, schools, or hospitals; human capital, like education or training programs of all types; or social capital, like help setting up legal systems and financial institutions. Relative to the systems that they serve, this capital has more often distorted the system than fixed the problem. For example, if a country is assured that donors will provide for the upkeep of its schools, it will divert its resources to other places. Moreover, despite the good intentions of donors, the recipients of capital have little control over how it is spent; even the citizens of a moderately corrupt government, can, with effort, influence the destination of their tax dollars more than foreign aid. As previous sections have mentioned, effective development projects must not just fix concrete situations but improve the agency of the subjects of development in general. Easterly proposes an alternative approach:

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<sup>20</sup> William Easterly, *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*, Reprint edition. (New York: Penguin Books, 2007).

<sup>21</sup> Jeffrey Sachs, *The End of Poverty: Economic Possibilities for Our Time*, Reprint edition. (New York: Penguin Books, 2006).

Remember, aid cannot achieve the end of poverty. Only homegrown development based on the dynamism of individuals and firms in free markets can do that. Shorn of the impossible task of general economic development, aid can achieve much more than it is achieving now to relieve the sufferings of the poor.

In response to his colleagues, who advocate large, centrally-planned projects that often do not involve the voices of the people on the ground, Easterly highlights these four strategies: the importance of knowing the particular situation; helping people, not governments; constantly evaluating the effectiveness of one's efforts; and empowering local people at every step. His four strategies provide a good foundation upon which the next chapter will build. Synthesizing his extensive command of the history of development, he is beginning to move from the descriptive to the normative as he asks an important question: what qualifies as helpful development?

In contrast to Easterly's methodological advance, however, Sachs' latest work still relies almost exclusively on the descriptive. Despite its claim to provide an "analytic and normative framework to address sustainable development," it devotes merely nine pages of over 500 to ethics, and this material consists of a cursory survey of six different rationales for the importance of "social inclusion," into which he subsumes most of Enlightenment political philosophy. The rest of the work is filled with graphs, tables, and policy prescriptions. The social inclusion section ends with the remark that "we therefore need to have more discussions, more public awareness, and more debates about these underlying ethical choices, because the goals of sustainable development depend on the ethical positions we adopt."<sup>22</sup>

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<sup>22</sup> Jeffrey D. Sachs and Ban Ki-moon, *The Age of Sustainable Development* (New York: Columbia University Press, 2015), 219–28.

On the one hand, this point is particularly well-taken. On the other hand, it illustrates the great deal of work that remains in the field of development ethics. Here emerges the opening for the normative proposal of this thesis, to fill in the gaps left by these distinguished economists. Before the subsequent chapters can outline this proposal, however, the next sections must examine two important resources that will ground this proposal: the capability approach of secular political philosophers Amartya Sen and Martha Nussbaum and the literature of Catholic Social Teaching. They will provide the building blocks for the remaining two chapters.

### **V. One Set of Norms: The Capability Approach**

Both Easterly and Sachs acknowledge the need for a public conversation about the normative turn to international development. This normative turn, however, requires norms. The capability approach stands out as the discipline's most sophisticated response to the normative question of what to measure in the first place. This section will summarize the capability approach and differentiate it two previous approaches in political philosophy: utilitarianism and primary goods.

Before examining the capability approach, however, it bears noting that most literature in development economists does not examine these foundational questions, but rather searches for more precise ways to do impact evaluation, the present best practice for evaluating development projects. Impact evaluation adopts a methodology from medical drug trials. It begins with an outcome of interest: a measure of the well-being of an individual or group that can be compared with the same measure of the well-being of other groups or individuals. Typically, practitioners either measure the same individuals

before and after the intervention or two different groups, one that has received the intervention and one that has not. The impossibility of directly observing the counterfactual—two versions of the same person or group, one with and one without the intervention—has given rise to a family of statistical techniques to factor out other possible influences and isolate the effect of an intervention.

This thesis will not examine these statistical techniques in general; rather it will consider the more basic problem of what to measure and whether to measure at the individual or group level. Welfare economist and political philosopher Amartya Sen has devoted a substantial part of his career to thinking about just this question.

In a 1980 Tanner lecture, Sen rejects two flavors of utilitarianism and the primary goods of political philosopher John Rawls before proposing his own approach.<sup>23</sup> First, Sen considers “utilitarian equality,” which allocates a resource in such a way that maximizes the aggregate utility. The optimal allocation equalizes the marginal utility of all parties. In other words, all would experience the same increase of utility from one additional unit of the resource. Utilitarianism works well if all individuals have the same utility function: the same desire for and ability to use whatever good is being distributed. For this case, a perfectly fair distribution would result in equal total utility as well as uniform marginal utility for all individuals. The problem comes in the case of heterogeneous utility functions; the “utilitarian equality” approach does not factor in distributional inequities that could arise in these situations.

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<sup>23</sup> Amartya Sen, “Equality of What?,” in *The Tanner Lectures on Human Values*, ed. Eric Ashby and Sterling M. McMurrin (Salt Lake City, UT: University of Utah Press, 1980), 197–220.

Sen uses the example of a disabled person, who would get half the pleasure an able-bodied person would derive from the same amount of income. Assuming a utility function for the able-bodied person of  $f_1(x) = \sqrt{x}$  and one for the disabled person of  $f_2(x) = \frac{1}{2}f_1(x) = \frac{\sqrt{x}}{2}$ , then we are searching for the optimum way to distribute 1000 units of some resource. Utilitarianism would have us maximize aggregate utility:  $g(x) = f_1(x) + f_2(1000 - x)$ . The maximum would give 800 units to the able-bodied person and 200 to the disabled person. Despite the equal marginal utilities  $f_1'(800) = f_2'(200) = 0.0177$ , the resulting distribution displays anything but equality. The able-bodied person ends up with  $f_1(800) = 28.2843$  units of utility, while the disabled person ends up with  $f_2(200) = 14.1421$  units: half the utility and one fourth of the resource.

In response to this critique, Sen considers next “Total Utility Equality,” which would allocate resources in a way that maximizes the utility of each individual instead of the aggregate. To rank different states of affairs, he defines a principle called *leximin*:

the goodness of a state of affairs is judged by the level of utility of the worst-off person in that state; but if the worst-off persons in two states respectively have the same level of utility, then the states are ranked according to the utility level of second worst-off. If they too tie, then by the utility levels of the third worst-off, and so on.

Even if we can successfully rank states of affairs in this way, the results do not win the approval of all. Sen cites John Rawls’ critique of utilitarianism: “in calculating the greatest balance of satisfaction, it does not matter, except indirectly, what the desires are

for.”<sup>24</sup> If human beings take pleasure in discriminating against one another, for example, the deliberative process must consider that criterion, even if we find it morally repugnant. The notion of utility does not include enough information to normatively judge competing states of affairs.

Sen turns next to the notion of primary goods, which emerge in Rawls’ thought as a way to allow people with different comprehensive notions of the good to find consensus on how to structure social institutions. Rawls defines primary goods as “things every rational man [sic] is presumed to want. These goods normally have a use whatever a person’s rational plan of life.” He offers as examples rights, liberties, and opportunities, and envisions this state of affairs as a “benchmark for judging improvements” with a version of his difference principle. “If certain inequalities of wealth and differences in authority would make everyone better off than in this hypothetical starting situation, then they accord with the general conception.”<sup>25</sup> Sen points out that Rawls’ primary goods still would not help the disabled individual, because the disabled individual does not suffer from a problem of distribution, but instead a problem of use.

This point leads Sen to dispute the presumed homogeneity of the human race upon which the notion of primary good depends. “People seem to have very different needs varying with health, longevity, climactic conditions, location, work conditions, temperament, and even body size (affecting food and clothing requirements).” In its place, he offers a notion of “basic capabilities.” For the disabled person, it is the “ability to move about” but for others it could be “the ability to meet one’s nutritional requirements”

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<sup>24</sup> John Rawls, *A Theory of Justice*, 2nd edition. (Cambridge, Mass: Harvard University Press, 1999), 27.

<sup>25</sup> *Ibid.*, 54–55.

(a prerequisite for food), “the power to participate in the social life of the community,” etc. The capabilities function at the intersection of external “goods” and internal “utilities” as the ability to transform a good into utility at the level of the individual. In further work, Sen advances a definition of poverty as not “income deprivation” but “capability deprivation,” pointing out the impact of particular features of the lives of the poor on their ability to utilize the resources they already have.<sup>26</sup>

Since that 1980 lecture, Sen, his collaborator Martha Nussbaum, and others have developed Sen’s core idea into an interdisciplinary field of “the capability approach” that integrates philosophical ethics, development economics, and the quantitative social sciences. It has influenced the practice of development in the form of the United Nations’ Millennium Development Goals.

Presenting an overview of the field, Robeyns identifies five core ideas that characterize the approach.<sup>27</sup> First come the notion of *functionings*, states of human beings and activities that a person can undertake, and *capabilities*, a person’s real freedoms to realize these states or perform these activities. Next, we can measure these capabilities and use them as a metric for interpersonal comparisons. Third, we must acknowledge human diversity, both in terms of heterogeneous differences in capability deficiencies. Fourth, this diversity also expresses itself in differences in conversion factors: the ability to convert an external good into an increase in well-being. Finally, the entire approach

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<sup>26</sup> Amartya Sen, *Development as Freedom*, 1st. ed. (New York: Knopf, 1999).

<sup>27</sup> Ingrid Robeyns, “The Capability Approach,” in *The Stanford Encyclopedia of Philosophy*, ed. Edward N. Zalta, Winter 2016. (Metaphysics Research Lab, Stanford University, 2016), accessed September 5, 2017, <https://plato.stanford.edu/archives/win2016/entries/capability-approach/>.

rests on the distinction between ends and means: the real effect of resources and programs on people instead of the value of these resources in and of themselves.

This broad tableau still leaves room for a variety of differences in individual approaches. Nussbaum the philosopher seeks both to normatively ground the capability approach and delineate a universal list of capabilities whose preservation “at a threshold level” citizens may demand from their government.<sup>28</sup> In contrast, Sen adopts a more proceduralist tone: through the process of deliberative democracy, citizens themselves can elaborate their own capabilities out of their own cultural context and particular situation. Development requires freedom, both to participate in the market and in the political sphere. This thesis will draw from both of these strands of the capability approach to build its own normative approach to economic development.

## **VI. Another Set of Norms: Catholic Social Teaching**

The capability approach emerged out of Sen and Nussbaum’s critique of secular political philosophy. It represents a possible response to the public debate that Easterly and Sachs have proposed. In the same time period, an entirely different intellectual tradition has also offered normative commentary on the problems of human development. If the capability approach eschews grand narratives and striking images in favor of analytic political philosophy and mathematical techniques, then Catholic Social Teaching (hereafter CST) employs the opposite approach. Yet precisely the different way in which it addresses many of the same questions suggests the possibility of serving as a dialogue

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<sup>28</sup> Martha Craven Nussbaum, *Women and Human Development: The Capabilities Approach*, The John Robert Seeley lectures (Cambridge: Cambridge University Press, 2000), 11–15.

partner with the capability approach as part of the normative task of this thesis. In fact, various social encyclicals have already begun to engage with their secular counterparts. Therefore, this next section summarizes briefly CST on international development.

Paul VI offered the first sustained treatment on development in CST with his assertion that “development cannot be limited to mere economic growth. In order to be authentic, it must be complete: integral, that is, it has to promote the good of every man [sic] and the whole man [sic]” (14).<sup>29</sup> His critique of the role of material wealth resonates with capability theorists’ concerns about material goods as ends and not means, as does his consideration of other goods like education. Moreover he links general notions like social justice with particular features of the “social question” like inequity in trade relations: “in order that international trade be human and moral, social justice requires that it restore to the participants a certain equality of opportunity” (61). Finally, Paul’s critique of technocrats echoes Easterly’s concerns: “necessary technical competence must be accompanied by authentic signs of disinterested love” (72).

Twenty years later, in 1987 John Paul II cites some of the UN social indicators that had emerged from Sen and Nussbaum’s work before asserting again the “moral nature of development.” His notions of solidarity and preferential love for the poor ground more deeply his critique of realities like an international trade regime that “frequently discriminates against the products of the young industries of the developing countries and discourages the producers of raw materials” (43). Yet, development must

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<sup>29</sup> Paul VI, “*Populorum Progressio*,” last modified March 26, 1967, accessed March 9, 2017, [http://w2.vatican.va/content/paul-vi/en/encyclicals/documents/hf\\_p-vi\\_enc\\_26031967\\_populorum.html](http://w2.vatican.va/content/paul-vi/en/encyclicals/documents/hf_p-vi_enc_26031967_populorum.html).

encompass the “cultural, transcendent, and religious dimensions of society as well” and provide “autonomy and free self-determination” (46).<sup>30</sup>

Finally, in the wake of the most recent global financial crisis, in 2009 Pope Benedict XVII takes up again the theme of “authentic human development”, with a particular focus on the question of globalization and the need for interdisciplinary cooperation to address questions of development.<sup>31</sup> He aimed to foster reflection on justice as well as notions of human solidarity and gift to the logic of the market as it mediates human interaction: “the economy needs a people-centered ethics in order to function correctly.” Moreover, Benedict reiterates the principle of the “centrality of the human person” as a norm for development efforts:

The principal concern must be to improve the actual living conditions of the people in a given region, thus enabling them to carry out those duties that their poverty does not presently allow them to fulfill. Social concern must never be an abstract attitude. Development programs, if they are to be adapted to individual situations, need to be flexible, and the people who benefit from them ought to be directly involved in their planning and implementation. The criteria to be applied should aspire toward incremental development in a context of solidarity—with careful monitoring of results—inasmuch as there are no universally valid solutions. Much depends on the way programs are managed in practice (47).

Though CST and the capability approach share much of the same philosophical underpinnings, from Aristotelian ethics to modern human rights discourse, respond to the same socio-political realities, and propose a normative perspective on international development accessible to all people, neither tradition has explicitly dialogued in a deep

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<sup>30</sup> John Paul II, “*Sollicitudo Rei Socialis*,” last modified December 30, 1987, accessed November 13, 2017, [http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf\\_jp-ii\\_enc\\_30121987\\_sollicitudo-rei-socialis.html](http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_30121987_sollicitudo-rei-socialis.html).

<sup>31</sup> Benedict XVI, “*Caritas in Veritate*,” last modified June 29, 2009, accessed November 13, 2017, [http://w2.vatican.va/content/benedict-xvi/en/encyclicals/documents/hf\\_ben-xvi\\_enc\\_20090629\\_caritas-in-veritate.html](http://w2.vatican.va/content/benedict-xvi/en/encyclicals/documents/hf_ben-xvi_enc_20090629_caritas-in-veritate.html).

way with the other. Moreover, little secondary literature has emerged to fill this lacuna.<sup>32</sup> Thus this thesis offers a promising opportunity to explore how each can complement the other in fleshing out normative criteria to judge various efforts at international development, in the spirit of Benedict's critique above.

## VII. The Task Ahead

This chapter began with a detailed look at two structural factors that contribute to the poverty of the Tselal people: their lack of control over their own agricultural production and the international coffee market. Next, it examined the history of international development, which began as a technocratic endeavor, to the present age, in which the field has begun to acknowledge the need for a more normative approach. Subsequently, it introduced two ethical resources to deepen the reflection that has already begun: one from the inside (Sen's capability approach), and another from the outside (Catholic Social Teaching). The subsequent two chapters will use these resources to develop criteria of individual (chapter 2) and social (chapter 3) welfare. The final chapter will apply these criteria to the three approaches that the introduction surveyed to evaluate them in terms of their ability to alleviate the poverty of the Tselal.

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<sup>32</sup> The only secondary literature I could find does not deal with economic development but rather with Nussbaum's use of the capability approach to defend same-sex marriage as a human right, cf Joshua Schulz, "The Capabilities Approach and Catholic Social Teaching: An Engagement," *Journal of Global Ethics* 12, no. 1 (January 2, 2016): 29–47.

## **Chapter 2: Five Aspects of Individual Welfare**

Building on chapter 1, this chapter will examine five aspects of individual welfare: human dignity, political rights, socio-economic rights, internal goods, and agency. For this task, it will leverage the two normative approaches introduced in chapter 1: Sen and Nussbaum's capability approach and CST on integral human development. On the one hand, though the capability approach intentionally includes a variety of factors other than GDP per capita, it still often does not even attempt to justify its metrics. On the other hand, the elegant images and references to the Biblical narrative of CST, though inspiring, often lack concrete grounding. The former approach tends toward the procedural and eschews a comprehensive conception of the good; the latter paints a rich picture of the destination but without any roadmap.

This chapter combines the strength of both approaches by offering a destination and a roadmap. As a destination, it argues that the most effective development projects must improve the recipients' well-being in all five of these areas. As it surveys each criterion, it will examine the interrelationships among them. The order of the criteria themselves illustrates two important trends. First, external goods give rise to internal ones; second, the procedural gives way to a more specified notion of the good.

Moreover, these five aspects of individual welfare do not by themselves encompass all of the relevant features that contribute to poverty. In fact, this exposition questions the methodological choice of economists to start from the individual. Both the Greek tradition that undergirds capability theory and CST consider society as a whole first and then the individual's place in it. Thus the subsequent chapter will offer five aspects of social welfare that complement these five aspects of individual welfare.

## I. Human Dignity

In order to judge development projects based on their effectiveness at helping human beings, a normative approach must begin with a clear anthropology: who are the human beings that these projects aim to help in the first place? Both capability theory and CST argue for the importance of recognizing the dignity of the other. This section will begin with this personal encounter to develop a philosophical anthropology of the subjects of development. It will argue that, despite the apparent difference between the metaphysically “thick” CST and metaphysically “thin” capability theory, both share a conception of the human person as one who works out his or her salvation in community, using the fundamental characteristics of practical reason and sociability. Thus effective development projects must recognize these characteristics.

The architects of CST and capability theory universally credit personal experience with the developed world as the source of their reflection. From the perspective of capability theory, Nussbaum offers a poetic account of human dignity that shows influences of her early work in Greek tragedy:

We react to the spectacle of humanity so assailed in a way very different from the way we react to a storm blowing grains of sand in the wind. For we see a human being as having worth as an end, a kind of awe-inspiring something that makes it horrible to see this person beaten down by the currents of chance – and wonderful, at the same time, to witness the way in which chance has not completely eclipsed the humanity of the person.<sup>1</sup>

Two features of human life emerge: 1) the Kantian notion of human being as an end and not a means; and as 2) the human being as a character in his or her own story. Nussbaum

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<sup>1</sup> Martha Craven Nussbaum, *Women and Human Development: The Capabilities Approach*, The John Robert Seeley lectures (Cambridge: Cambridge University Press, 2000), 72–3.

argues for the cross-cultural resonance of this account of human “worth and agency” based on our capacity to “respond to tragic tales from other countries.”

For Sen too, his life experience motivates his work. A detailed historical survey of famines early in his career takes on new significance based on a passing comment:

For example, India continued to have famines right up to the time of independence in 1947. The last famine—one of the largest—was the Bengal famine in the spring and summer of 1943 (*which I had the experience of witnessing, in its full rigor, as a nine-year-old boy*); it is estimated that between two million and three million people died in that famine.<sup>2</sup>

To my knowledge, Sen nowhere else references any personal experiences in his writings. In contrast, in the opening chapter of *Women and Human Development*, Nussbaum presents two case studies of women from her many trips to India and notes that she differs from Sen on both the “political importance of the imagination and the emotions” and the use of a “narrative method.”<sup>3</sup>

On the side of CST, Creighton professor Roger Bergman founded the Peace and Justice Studies program there and has spent his career inviting his students and colleagues to a deeper appreciation of CST. The first essay in his collection *Catholic Social Learning* emphasizes the importance of personal encounter as a starting point for work with the poor.<sup>4</sup> For Bergman, a personal encounter with poor immigrants on a weekend service trip to Tijuana with his future wife inspired both his conversion to Catholicism and his decision to dedicate himself to a life of education and service. Looking back, he feels gratitude for “those experiences and the deeply unsettling but

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<sup>2</sup> Amartya Sen, *Development as Freedom*, 1st. ed. (New York: Knopf, 1999), 180. Emphasis mine.

<sup>3</sup> Nussbaum, *Women and Human Development*, 15.

<sup>4</sup> Roger Bergman, *Catholic Social Learning: Educating the Faith That Does Justice*, 1st edition. (New York: Fordham University Press, 2011), 3–20.

formative questions that they raised,” and then offers a general educational principle by paraphrasing the French philosopher Gabriel Marcel: nothing but personal encounter ever changes anyone in an important way.

Personal experience grounded the reflection behind the social encyclicals of CST as well. Bergman highlights the importance of Paul VI’s own experience of the developing world in his encyclical on human development *Populorum Progressio*:

Before we became pope, two journeys, to Latin America in 1960 and to Africa in 1962, brought us into direct contact with the acute problems pressing on continents full of life and hope. Then on becoming father of all we made further journeys, to the Holy Land and India, and were able to see and virtually touch the very serious difficulties besetting peoples of long-standing civilizations who are at grips with the problem of development (4).<sup>5</sup>

After Paul VI, John Paul II and Francis have continued his practice of papal visits all over the world. The USCCB counts 104 pastoral visits of John Paul II outside of Italy in his 27 year pontificate (1978-2005).<sup>6</sup> The Holy See lists 22 visits of Francis thus far in the five years of his pontificate.<sup>7</sup> Their development of CST often references these experiences. Thus, any development project must begin with a personal encounter.

What does the content of this encounter consist of? At its heart, it is an encounter with a fellow social being with the potential to develop herself. Like Nussbaum above, the *Compendium* uses a “narrative method” that begins in the first chapter with salvation history: “God’s Plan of Love for Humanity.” Moreover, it defines “every authentic

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<sup>5</sup> Paul VI, “*Populorum Progressio*,” para. 4, last modified March 26, 1967, accessed March 9, 2017, [http://w2.vatican.va/content/paul-vi/en/encyclicals/documents/hf\\_p-vi\\_enc\\_26031967\\_populorum.html](http://w2.vatican.va/content/paul-vi/en/encyclicals/documents/hf_p-vi_enc_26031967_populorum.html).

<sup>6</sup> “Holy See,” accessed December 11, 2017, <http://www.usccb.org/about/leadership/holy-see/index.cfm>.

<sup>7</sup> “Travels | Francis,” accessed April 9, 2018, <https://w2.vatican.va/content/francesco/en/travels.index.html#travels>.

religious experience” as the capacity to “recognize some aspect of God’s face,” in a description not unlike Nussbaum’s one of tragedy. Just as encounters with the poor motivate the thinkers above, the Exodus story shows that God too has

seen the affliction of my people who are in Egypt, and have heard their cry because of their taskmasters; I know their sufferings, and I have come down to deliver them out of the hand of the Egyptians, and to bring them up out of that land to a good and broad land, a land flowing with milk and honey (Ex 3:7-8) (21).<sup>8</sup>

God’s gratuitous action responds to an innate human longing for the divine. Here emerges the unique Christian perspective on human development: God’s intervention in the world. “Every person is created by God, loved and saved in Jesus Christ, and fulfills himself [sic] by creating a network of multiple relationships of love, justice, and solidarity with other persons while he goes about his various activities in the world” (35).

Bringing this perspective into dialogue with Nussbaum and Sen poses methodological challenges, not the least of which is that it would seem to require exactly the comprehensive conception of the good that both would like to bracket. Nussbaum’s version of the capability approach includes a list of Central Functional Human Capabilities backed by her own moral anthropology.<sup>9</sup> In contrast, Sen never gives a list of capabilities, preferring that citizens work out the details themselves through the deliberative process of democracy.<sup>10</sup>

Deeper engagement with Nussbaum reveals a thicker moral anthropology than she acknowledges, one that finds common ground with Christian moral anthropology.

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<sup>8</sup> *Compendium of the Social Doctrine of the Church*, USCCB (Washington, DC: Libreria Editrice Vaticana, 2004). This document is an authoritative summary of CST prepared by the Pontifical Council of Justice and Peace at the request of Pope John Paul II.

<sup>9</sup> Nussbaum, *Women and Human Development*, 78–80.

<sup>10</sup> Sen, *Development as Freedom*, 146–59.

Nussbaum describes her basic intuition as “that certain human abilities exert a moral claim that they should be developed” but quickly describes this intuition as a “*freestanding moral idea*, not one that relies on a particular metaphysical or teleological view.”<sup>11</sup> This conception would seem to contradict her remarks in an earlier essay that

the best and deepest of the *metaphysical* arguments [about the nature of a human being] seem to contain an evaluative component: that is, they ask us (implicitly or explicitly) to consider which functions of an alleged human being are so important, so central, that their absence will mean the absence of a human being or human life.<sup>12</sup>

Nussbaum develops these capabilities through a close reading of a number of passages in the Greek tradition. First, she argues for the central place of communal ethical reflection that involves our personal stories, the stories of others, and communal stories. In contrast to mainstream economic thinking, the practice of this reflection reveals that “we are beings essentially related to others by ties of recognition and concern.”<sup>13</sup> Second, in a detailed examination of a passage in *EN* 1.7 in which Aristotle asks about the essential “function” of human beings, Nussbaum locates this function in practical reason, “the capacity to plan and organize one’s life,” an essential necessary condition of humanness.<sup>14</sup>

Though Nussbaum avoids teleology by leaving unspecified the good for which human beings seek, her proposal still shares a metaphysical element with the Catholic view: the human being finds her dignity working out her salvation in community. Thus effective development must take into account the dignity of human beings with

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<sup>11</sup> Nussbaum, *Women and Human Development*, 83. Emphasis original.

<sup>12</sup> Martha Craven Nussbaum, “Aristotle, Nature, and Ethics.,” in *World, Mind, and Ethics: Essays on the Ethical Philosophy of Bernard Williams*, ed. J. E. J. Altham and Ross Harrison (Cambridge: Cambridge University Press, 1995), 94. Emphasis mine.

<sup>13</sup> *Ibid.*, 109.

<sup>14</sup> *Ibid.*, 117–18.

capabilities of sociability and practical reason. Evaluative criteria for development projects, then, must include measures of social relationships. The aspects of social welfare that appear the subsequent chapter will provide more details about these relationships. Moreover, effective development must increase the agency of its recipients. Later on, this chapter will provide more detail about what constitutes agency and how it might be measured in practice.

## **II. Political Rights**

For capability theory and CST, moral anthropology has political implications. Nussbaum comments explicitly: “Aristotle’s ethical writing aims to provide instructions for the future legislator. The job of such a legislator is to give to the people in his city the necessary conditions for choosing a flourishing human life. The city aims at making people capable of such choices.”<sup>15</sup> Based on the first aspect of human dignity, the next sections of this chapter examine the conditions that afford human beings the ability to work out their dignity (practical reason) in the context of community (sociability). In the modern era, these conditions most often appear in the form of their rights as citizens in nation-states or the world.

This section will use CST and capability theory to argue for the importance of political rights, particularly political freedom, and the need to incorporate it in the evaluation of development projects. Subsequent sections will examine economic rights, internal goods, and agency. One strand of the human rights literature has distinguished between political rights about participation in civic institutions, which are usually

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<sup>15</sup> Ibid., 118.

guaranteed through legislation that establishes the state, and economic rights, which are usually guaranteed through positive action on the part of the state to distribute certain resources. Though the distinction remains controversial, this chapter employs it because the first question of who counts as a citizen of the state is logically prior to the second question of what claim citizens can exercise on their fellow citizens' property.<sup>16</sup> This section thus begins with background on human rights and follows with capability theory and CST's arguments for the importance of political rights.

A standard text on human rights describes a right as a "social practice that realizes a shared value."<sup>17</sup> Moreover, a *human* right depends on a conception of *human* nature. The question of how to legitimate the source of human rights has raised controversy throughout the tradition: various authors have proposed solutions that depended on religious (God or the Bible), political (law), or scientific (psychology or genetics) authorities. The definition of human dignity above allows the present discussion to avoid this controverted question. In the nation-state, these two elements of sociability and practical reason work together: through shared ethical reflection (sociability), communities embark on the coordination required to realize a shared value. In this case, the shared value is practical reason: the capacity to make choices and direct one's life.

Any discussion of shared ethical reflection begins with the question: who participates in the reflective process? Nussbaum deploys two important concepts from the political thought of John Rawls: the original position, which describes who is involved in

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<sup>16</sup> Jack Donnelly, *Universal Human Rights in Theory and Practice*, 2nd edition. (Ithaca, NY: Cornell University Press, 2002), 27–33.

<sup>17</sup> *Ibid.*, 11.

this deliberative process, and the overlapping consensus, which describes the nature of the outcome this process can obtain.

First, Rawls proposes that prospective citizens reason about the nature of justice behind the “veil of ignorance” in the “original position.”<sup>18</sup> In this situation, “no one knows his place in society, his class position or social status, nor does anyone know his fortune in the distribution of natural assets and abilities, his intelligence, strength and the like.” Rawls argues that in such a situation, a rational citizen-legislator would choose two principles: 1) “equality in the assignment of basic rights and duties”; and 2) “social and economic inequalities [. . .] are just only if they result in compensating benefits for everyone, and in particular for the least advantaged members of society.” The key idea is that in the original position, a given legislator does not know the concrete conditions of his life in a state that realizes these principles of justice; thus, he will not favor any unequal treatment of one group over another lest he end up a member of that group.

Second, Nussbaum invokes Rawls’ “overlapping consensus,” which depends on the distinction between comprehensive liberalism and political liberalism.<sup>19</sup> Whether in the Greek or medieval tradition, comprehensive liberalism would unite a group of citizens around a common conception of a good and judge an institution by the extent to which it promotes that good. In contrast, Rawls begins from the indisputable existence of “many conflicting reasonable comprehensive doctrines with their conceptions of the good, each compatible with the full rationality of human person.” Moreover, he sees this

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<sup>18</sup> John Rawls, *A Theory of Justice*, 2nd edition. (Cambridge, Mass: Harvard University Press, 1999), 11–15.

<sup>19</sup> John Rawls, *Political Liberalism*, Expanded edition. (New York: Columbia University Press, 2005), 133–72.

plurality not as a problem but as the “characteristic work of practical reason over time under enduring free institutions.”

Thus, instead of a comprehensive conception of justice, Rawls offers a political conception of justice: the state ought to structure its institutions and exercise its political power in a way accessible to the common human reason of its citizens, the aspects of their reason that unite them, not those that depend on particular comprehensive conceptions of the good. Thus, political participation stands out as an important criterion for an effective development project. Especially in a pluralistic context, allowing for the participation of all as equals in the process matters more than imposing a particular outcome, however good it may appear to development practitioners.

As in the previous section, Rawls’ explicit rejection of the metaphysical grounding of political institutions would seem to pose problems to the prospect of dialogue with the decidedly metaphysical political thought of the Catholic tradition. The social encyclical *Pacem in Terris* offers a point of contact. For the first time in CST, John XXIII fully embraces the language of human rights and recognizes in individuals a “right to freedom in searching for truth and in expressing and communicating his opinions [. . .] within the limits laid down by the moral order and the common good” (12).<sup>20</sup> With this right and the subsequent rights to “worship God according to one’s conscience” and “choose freely one’s state of life,” he seems to be recognizing individuals’ rights to the free exercise of practical reason in a way that determines their own comprehensive conception of the good. Moreover, nation-states ought to protect these rights juridically in

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<sup>20</sup> John XXIII, “*Pacem in Terris*,” para. 12, last modified April 11, 1963, accessed December 12, 2017, [http://w2.vatican.va/content/john-xxiii/en/encyclicals/documents/hf\\_j-xxiii\\_enc\\_11041963\\_pacem.html](http://w2.vatican.va/content/john-xxiii/en/encyclicals/documents/hf_j-xxiii_enc_11041963_pacem.html).

a way that ensures the political participation on the part of all citizens in the affairs of the State. Process matters more than outcome from the Catholic perspective, as well.

During the drafting of the encyclical, the issue of Catholic participation in politics aroused tremendous controversy, whether in secular movements or cooperating with non-believers. John XXIII settled the impasse with his remark that

one must never confuse error and the person who errs, not even when there is question of error or inadequate knowledge of truth in the moral or religious field. The person who errs is always and above all a human being, and he retains in every case his dignity as a human person (158).

Here he allows for the possibility of an overlapping consensus: that a difference in metaphysical commitment does not imply either exclusion from the political conversation or the impossibility of finding common ground.

Sen too argues for the “expansion of freedom” as the primary end and the principal means of development. He differs from those who see democracy as a luxury only after the satisfaction of certain preconditions to development.<sup>21</sup> As the primary end, he sees the goal of development as the ability for individuals to exercise their practical reason to live the lives that they would wish to live. As the principal means, through empirical examples, he advocates the interconnected nature of a variety of freedoms: political freedoms, economic facilities, social opportunities, transparency guarantees, and protective security. In particular, he uses the distinction between China and India to show that political freedom reduces economic disaster. He credits India’s democracy with the absence of famines since 1948, in contrast to China, where 30 million people died in a famine (1958-61) after the Great Leap Forward.

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<sup>21</sup> Sen, *Development as Freedom*, 35–53.

The case study of China and India shows a point of convergence in the evolution of both CST and secular political thought on development. In his commentary on *Pacem et Terris*, theologian Drew Christiansen points out two important shifts from the medieval and the modern period: 1) from acceptance of natural inequality to the recognition of the dignity of the human person; and 2) from the use of rights language to safeguard institutions like the Church to individuals, even non-believers in Catholic countries.<sup>22</sup> In a similar way, the debate over “Asian values” continues to rage, pitting Sen against leaders such as Chinese and others who reject human rights as Western innovations. In contrast to his emphasis on the necessity of political freedom, they justify the lack of political participation in their countries and outright suppression of minority voices as requirements to expedite economic growth.

Thus capability theory and CST differ from other approaches to development in the importance that they ascribe to political rights, especially the right to participate in political discourse. Political rights, the second aspect of individual welfare, flow from the first aspect of individual welfare, human dignity. In the political realm, human beings exercise their practical reason collectively as social creatures. In turn, evaluation of development projects ought to incorporate measures of political participation as a way to concretely assess the exercise of human dignity in particular contexts. Even if it slows down the process, obtaining the consent of individuals on the ground and involving them in the process of planning makes up an essential part of development. Even more, the presence of ideological diversity does not preclude the possibility of a shared consensus.

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<sup>22</sup> Kenneth R. Himes, ed., *Modern Catholic Social Teaching: Commentaries and Interpretations* (Washington, D.C: Georgetown University Press, 2005), 233–35.

### **III. Socio-Economic Rights**

The previous section argued that political rights are a necessary aspect of individual welfare. This section argues for the complementary importance of economic rights. Once the State is constituted with the voice of all of its citizens at the table, they must evaluate the presence of the positive conditions required for human flourishing. Political participation provides a good start, but both CST and capability theory affirm that political rights do not suffice in the absence of other requirements for human flourishing. This section will show how both traditions evaluate institutional structures in terms of the situation of the least well off person and examine additional requirements beyond political freedom for all members of society to exercise their practical reason. It will present the capabilities of capability theory as an improvement over Rawls' primary social goods and find common ground in the notion of capabilities and John Paul 2's analysis of the situation of workers.

Since human beings develop themselves within the economic sphere, many of these necessities are economic in nature: education for work, the opportunity to work, and healthcare to return to work. Other necessities go beyond the role of a human being as an economic actor and concern elements of a fulfilling life: the ability to have meaningful relationships and engage in cultural and leisure activities. All of these expand the set of outcomes that impact evaluation must consider beyond political participation or even GDP per capita; even more, they introduce a distinction between internal and external goods that requires more sophistication to measure.

As noted above, the distinction between two classes of rights does not entirely obtain. Those who prioritize political rights over economic rights try to classify political

rights as negative rights that simply establish structures but do not require State action and economic rights as positive rights that do require State action such as the ongoing operation of social welfare programs. In response, Donnelly points out that even guaranteeing negative rights such as the participation of all in civic processes often requires positive action on the part of the State, such as the use of federal troops to safeguard polling places during the Civil Rights movement in the American South.<sup>23</sup> Both the *Universal Declaration of Human Rights* and the list in *Pacem in Terris* (see paragraphs 11-27) contain a mix of both types of rights: a right to equal protection under the law and a fair trial (so-called negative rights) as well as a right to work and education (so-called positive rights). Instead of positive and negative rights, the list of criteria here distinguishes between constituting the community to reason about justice and putting this sense of justice into practice. While the former is logically prior to the latter, instantiating social justice requires both types of State action.

As chapter 1 described, capability theory defines capabilities in dialogue with Rawls' notion of primary social goods. Here these primary social goods are based on the practical reason that constitutes human dignity: "things that every rational man [sic] is presumed to want [which] have a use whatever a person's rational plan of life."<sup>24</sup> Rawls gives as examples natural goods (health, vigor, intelligence, and imagination) whose "possession is influenced by the basic structure [of social institutions], though not so directly under its control." In contrast, society can directly control rights, liberties, opportunities, income, and wealth.

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<sup>23</sup> Donnelly, *Universal Human Rights in Theory and Practice*, 32–3.

<sup>24</sup> Rawls, *A Theory of Justice*, 54–5.

Like Sen, Rawls sees an index based on primary social goods as an improvement over expected utility. Not only does it measure at the individual instead of the aggregate level but it also justifies a concrete choice of utility function: “a person’s good is determined by what is for him the most rational long-term plan of life given reasonably favorable circumstances.”<sup>25</sup>

At first glance, the construction of such a function would seem to be prohibitively complex for its use in practical application: not only would it require a choice and weighting of a set of primary goods but also a generally-agreed-upon way to measure each of them. Such detail would constitute exactly the sort of comprehensive conception of the good that Rawls would like to avoid. Instead, Rawls argues that by virtue of the difference principle, the evaluation of individual welfare ought only to consider the least advantaged group. All members of society “share in primary goods on the principle that some can have more if they are acquired in ways which improve the situation of those who have less.” Here the contrast stands out most starkly against utilitarianism, which would maximize the welfare of the many at the expense of the few.

CST as well evaluates institutional structures in terms of their effect on the least advantaged group in a principle called “the preferential option for the poor.” Though the phrase appears for the first time in an encyclical in 1987, it draws from the extensive contact of Jesus with the materially poor, the ministries of charity of the early and medieval Church toward the poor, as well as the development and practice of CST in modern period.<sup>26</sup> John Paul II offers it as a norm for “logical decisions to be made

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<sup>25</sup> Ibid., 79–81.

<sup>26</sup> Thomas Massaro, *Living Justice: Catholic Social Teaching in Action*, 3 edition. (Lanham: Rowman & Littlefield Publishers, 2015), 117–21.

concerning the ownership and use of goods” in projects aimed at the poor in the developing world.<sup>27</sup> This poverty includes not only “being deprived of fundamental human rights, such as the right to religious freedom, but also the right to freedom of economic initiative.” As in other Catholic and secular lists of human rights, both political and socio-economic rights appear on equal footing here. Moreover, the description echoes Sen’s description of poverty as “capability deprivation.”

Both traditions agree on the fact that a development project must be evaluated based neither on aggregate welfare nor on average individual welfare but on the welfare of the least-well-off person. Compared to primary social goods, how do capabilities function as a means to evaluate individual welfare?

To develop the concept of capabilities, Sen uses the example of markets.<sup>28</sup> He considers a hypothetical case where two people receive identical incomes, one in a market economy and the other in a centrally planned economy. A neoclassical economist would argue for the superiority of the market system based on its improved efficiency. Sen offers a different reason: “it can still be argued that there is some social loss involved in denying people the right to interact economically with each other.” Even if the two systems generated the same results,

it is not hard to argue that something would be missing in such a scenario, to wit, the freedom of people to act as they like in deciding on where to work, what to produce, what to consume and so on. [. . .] She may still have very good reason to prefer the scenario of free choice over that of submission to order.<sup>29</sup>

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<sup>27</sup> John Paul II, “Sollicitudo Rei Socialis,” paras. 42–43, last modified December 30, 1987, accessed November 13, 2017, [http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf\\_jp-ii\\_enc\\_30121987\\_sollicitudo-rei-socialis.html](http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_30121987_sollicitudo-rei-socialis.html).

<sup>28</sup> Sen, *Development as Freedom*, 26–30.

<sup>29</sup> *Ibid.*, 27.

Sen appeals here to the two principles of human dignity: markets are an improvement over central planning because they promote human sociability and the exercise of practical reason. Similarly, he judges free labor situations as improvements on slave labor situations, even though they do not always result in significant improvements in standards of living, because the former arrangements respect human dignity more than the latter.

Thus a change in social arrangements can increase individual freedoms. In turn, individual freedoms can change social arrangements, especially through the exercise of public reason, by which citizens define for themselves which individual freedoms they value and how they wish to rank them. For this reason, Sen prioritizes political liberty. Though he does not offer his own list of capabilities, he favors human capital investments that benefit democracy.

Like Sen, John Paul II favors human capital investments, not only to increase political participation but also to increase economic participation. His experience with workers in communist Poland has led him to realize the importance of “economic initiative” above. In *Centesimus Annus*, he laments that “economic development takes place over their heads” and “their human dignity is not acknowledged in any real way” because they “do not have the means which would enable them to take their place [. . .] within a productive system in which work is truly central” (33).<sup>30</sup> In addition to the traditional Marxist concern about ownership of the means of production, he speaks of the

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<sup>30</sup> John Paul II, “Centesimus Annus,” paras. 32–34, last modified May 1, 1991, accessed December 13, 2017, [http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf\\_jp-ii\\_enc\\_01051991\\_centesimus-annus.html](http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_01051991_centesimus-annus.html).

importance of “know-how, technology, and skill” as required for “initiative and entrepreneurial ability” (32). Moreover,

There are many human needs which find no place on the market. It is a strict duty of justice and truth not to allow fundamental human needs to remain unsatisfied, and not to allow those burdened by such needs to perish. It is also necessary to help these needy people to acquire expertise, to enter the circle of exchange, and to develop their skills in order to make the best use of their capacities and resources (34).

Here John Paul II expands the components of development: not only elements that will increase economic participation but also other elements that may satisfy “fundamental human needs.”

John Paul II’s comment echoes Nussbaum’s intuition above that “certain human abilities exert a moral claim that they should be developed,” and she distinguishes between three types of capabilities.<sup>31</sup> Basic capabilities are capabilities that emerge ready to function, like the senses, the capacity to relate to others, and the capacity to work. Internal capabilities require more development: sexual functioning, religious freedom, freedom of speech, the capacity for love. Combined capabilities require not only internal development but external conditions as well.

For example, a man may be capable of both love and sexual expression but prohibited from remarrying because of religious rules. A woman may be capable of independent thought but prohibited from expressing a dissident political opinion. “Even a highly trained capability can be thwarted,” especially in the case of “an abrupt change in the material and social environment.”<sup>32</sup> Here, Nussbaum argues, individuals feel most sharply the distinction between an internal and a combined capability. On the other hand,

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<sup>31</sup> Nussbaum, *Women and Human Development*, 83–6.

<sup>32</sup> *Ibid.*, 85.

in a case of lifelong deprivation, for example in a country that denies women education, the internal capability to reason may also atrophy and the distinction between internal and combined capability blurs.

Though Nussbaum offers a list of ten capabilities, the capability approach does not evaluate a situation based on the *exercise* of these or any other particular capabilities, which Nussbaum calls functionings. Rather, it evaluates the situation based on the possibility of such functionings. To sharpen the distinction, she uses the example of the one who starves involuntarily and the one who fasts, the one who cannot remarry after the death of a spouse and the one who chooses celibacy for religious reasons. Though the outcome is the same in both cases, one individual chooses freely and the other does not.

Moreover, public policy ought not to consider simply internal capabilities but combined capabilities: in other words, the conditions for the possibility of the functioning of capabilities. For this reason, Nussbaum offers combined capabilities as a way to clarify the legitimation and purpose of human rights.<sup>33</sup> Like the liberalism of Rawls, this approach incorporates possibilities: how people can live. Like utilitarianism, it incorporates outcomes as well: how people are actually enabled to live. Moreover, it lacks the baggage of cultural imperialism that is sometimes associated with human rights.

Most telling of all, it is based on a shared notion of humanity. As social creatures endowed with practical reason (human dignity), human beings can exercise the claim to participate in the creation of structures (political rights) that guarantee all people the material conditions that allow them to exercise this practical reason more fully (economic rights). Thus, CST and capability theory suggest that the evaluation of development

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<sup>33</sup> Ibid., 96–101.

projects should include measures of economic rights, e.g. guarantee of education, access to health care, ability to marry. Evaluation should take into account the situation of the least well off and the ability of the local people to specify the content of these rights.

#### **IV. Internal Goods**

The discussion of capabilities in the previous section introduced the distinction between external and internal capabilities. Factors internal to the individual can inhibit or enable her ability to take advantage of the political or economic rights that this chapter has surveyed thus far. Nussbaum and Sen's capability theory considers this distinction in an explicit way that Rawls' primary social goods do not, though later work by Rawls recognizes the importance of more than externally measurable dimensions of human life in human flourishing. Moreover, CST also recognizes and in fact prioritizes the subjective situation of people over the objective situation of people. This section will use the resources of both traditions to argue that development projects ought to incorporate measures of these internal capabilities and value them as much as external capabilities.

Sen's consideration of internal welfare begins from the perspective of mainstream economics, which acknowledges the difficulty of measuring other people's internal states. Because of this difficulty, economists typically use the choices people make as a proxy for the mental processes that drive these choices. Different choices reveal different preferences. This technique depends on the assumption of the same utility function for all individuals: that two people derive the same utility from the same bundle of goods.

In practice, human diversity raises questions about this assumption. Sen identifies five groups of factors that might lead two people to derive different satisfaction from the

same income: 1) personal heterogeneity; 2) environmental diversity; 3) variations in social climate; 4) differences in relational perspectives; 5) distribution within the family. He calls these factors “conversion factors” because they relate to the ability to convert external goods into internal satisfaction. For example, a woman with health problems in a rural area in a country with limited employment opportunities for women would derive less benefit from the same microfinance loan than a healthy man who lives in a city with full access to the labor market.

Moreover, Sen finds Rawls’ primary social goods an insufficient attempt to deal with this situation, for, though his example above uses income as the external good, the reasoning applies as well to other goods such as education: the woman above would be no less able to use a high-school degree than a microfinance loan. Thus, he proposes the capability approach as a method of evaluating the actual opportunities individuals have in practice: their capability sets.<sup>34</sup>

In his later work, Rawls responds to Sen’s criticism.<sup>35</sup> In *Political Liberalism*, after agreeing with Sen on the logical priority of basic capabilities as a way to assess the use of primary goods, he sees the task of political philosophy in more modest terms: a theory of justice ought to evaluate merely whether a variation in capabilities places a citizen above or below the threshold of full participation in society. Beyond this threshold, citizens themselves can revise their own comprehensive theories of the good based on the available primary goods. Thus, he speaks of a “social division of responsibility”: the State maintains a fair share for all of primary goods and citizens adjust their expectations relative to the concrete situations in which they live. At this point, he seems to allow for

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<sup>34</sup> Sen, *Development as Freedom*, 70–76.

<sup>35</sup> Rawls, *Political Liberalism*, 178–90.

the existence of internal capabilities but does not seem them as relevant for the exercise of public reason.

In *The Law of Peoples*, Rawls finally recognizes that the interpersonal comparisons that public reason employs requires more information than the purely external perspective of political liberalism can provide.<sup>36</sup> Thus he finally acknowledges the importance of considering internal heterogeneities in the exercise of these capabilities in the public realm.

Contra Rawls' initial preference for the abstraction of the Original Position, Nussbaum argues from the beginning that honoring someone's human dignity requires that she be encountered in the concrete circumstances of her life: "to do justice to A's struggles, we must see them in their social context, aware of the obstacles that the context offers to the struggle for liberty, opportunity, and material well-being."<sup>37</sup> The basic relationality of human beings opens up a possibility for personal encounter that reveals this sort of information, a combination of "overarching benchmarks and detailed knowledge of the variety of circumstances and cultures in which people are striving to do well."<sup>38</sup> In an Aristotelian fashion, she argues from the particular to the general, to an overlapping consensus of minimum thresholds of the list of capabilities presented earlier that any just institutional structure should provide. At the same time, she respects different paths to the same end by characterizing her minimum thresholds as multiply realizable. Nevertheless, the minimum thresholds incorporate information about both the external and the internal state of individuals.

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<sup>36</sup> John Rawls, *The Law of Peoples: With "The Idea of Public Reason Revisited,"* Revised ed. edition. (Cambridge, Mass.: Harvard University Press, 2001), 13.

<sup>37</sup> Nussbaum, *Women and Human Development*, 69.

<sup>38</sup> *Ibid.*

John Paul II too makes the turn from the external to the internal in *Laborem Exercens*.<sup>39</sup> He sees work as “the key to the social question” and wants to reflect on labor “from the point of view of man’s [sic] good” in order to “make life more human” (3). In addition to the objective qualities necessary for work that were considered before, he examines a human being “as a subjective being capable of acting in a planned and rational way, capable of deciding about himself and with a tendency to self-realization” (6). In other words, he locates human dignity in the exercise of practical reason, not only in the fruit of human labor but the way that human beings themselves grow and develop along the way.

He argues that this “subjective dimension” of work is more important than the “objective one”; thus, it matters less what kind of work the worker does and more the relationship of the work to the worker. Under this schema, highly skilled factory labor that pays more than agricultural work could count for less if it does not leave the worker with the same sense of dignity as cultivating his own land. On the other hand, a job picking crops in the developed world robs a migrant labor of the dignity of running his own business in his home country, despite the additional income. Thus, like the capability approach, John Paul II proposes additional information bases beyond income for interpersonal comparisons:

it must be emphasized in general terms that the person who works desires not only due remuneration for his work; he also wishes that within the production process provision be made for him to be able to know that in his work, even on something that is owned in common, he is working ‘for himself’ (15).

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<sup>39</sup> John Paul II, “*Laborem Exercens*,” last modified September 14, 1981, accessed December 14, 2017, [http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf\\_jp-ii\\_enc\\_14091981\\_laborem-exercens.html](http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_14091981_laborem-exercens.html).

Work affects people not only on an economic but also on a personal level. Thus John Paul II affirms the equal place of those human rights that deal specifically with work as a way to evaluate individual welfare in terms of a worker's relationship with an employer or the state.

At the end of the encyclical, John Paul II offers the elements of a spirituality of work: that through their work, human beings share in the activity of God their creator, work out their salvation, and deepen their friendship with God and one another (25). The spirituality he proposes at times seems to expand beyond the traditional bounds of a job, however, to include times of rest and everyday activity as well. Here the boundary blurs between life and work. Comments about the importance that mothers take care of their children without working outside the home raise questions about how their experience fits in the schema of work as realization of one's dignity (19). Similarly, though John Paul II devotes a paragraph to the disabled person, his remarks assume that all such people can work to some degree. What about the human dignity of those who cannot work at all? The movement from the external to the internal opens up the consideration of human beings as more than economic actors.

Rawls' moral psychology too offers a potential path that integrates external and internal dimensions of work.<sup>40</sup> His Aristotelian Principle proposes that "human beings enjoy the exercise of their realized capacities (their innate or trained abilities) and this enjoyment increases the more the capability is realized, or the greater its complexity." Echoing John Paul II's remarks, the more interesting job is better, whether it pays more. Moreover, this principle applies not only to work but also to life: "as a person's capacities

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<sup>40</sup> Rawls, *A Theory of Justice*, 373–80.

increase over time [ . . . ] and as he trains these capacities and learns how to exercise them, he will in due course come to prefer the more complex activities that he can now engage in which call upon his newly realized activities.”

Using his practical reason, a person will choose the life that allows him to realize his capacities to the extent to which his situation allows. Though the exact instantiation of this realization depends on an individual’s comprehensive conception of the good, the Aristotelian Principle brings internal goods into the evaluation of individual welfare. Thus, in their own way, the moral anthropology Sen, Nussbaum, Rawls, and John Paul 2’s illustrate the importance of considering measures other than the external presence of work or the conditions required for work like education and healthcare in the evaluation of development practices. Interesting jobs, stimulating education, or holistic healthcare values more, even if these improvement affect only internal measures of good and not external measures like average salary, years of education completed, or average life expectancy. Moreover, both CST and capability theory open the possibility for the consideration of elements that have nothing to do with economic activity at all: increases in the potential for artistic outlets, physical activity, or sexual expression as measure of human development.

## **V. Agency**

The previous four aspects of individual welfare followed a progression that successively specified and encompassed more dimensions of human life: human dignity, political rights, economic rights, and internal goods. The thin conception of human dignity as an individual working out his practical reason in a social context expanded to include that individual’s role as a political and economic actor. Moreover, subjective

factors of the individual's experience came into view, and even elements that do not relate to the individual's economic life at all. This section returns to the original definition of human dignity to propose a fifth aspect of individual welfare that includes individuals' political and economic success but also goes beyond them. It defines agency as an individual's ability to live out his human dignity as he experiences it. This agency is the most important internal good that subsumes all of the others.

This definition of agency must take into account an individual's relationship to himself. Rawls's description of the primary good of self-respect and the role of conscience in the Catholic tradition provide complementary accounts of this relationship. In terms of designing a way to measure agency, behavioral economics has begun to incorporate psychological insights into economic metrics, but the liberative pedagogy of Paolo Freire challenges it to measure the most important indicator of agency: the extent to which development projects give the subjects of development themselves control over the process. Here is where the real increase in agency comes: an expansion of the possibilities for practical reason in a social context.

The account begins with Rawls' notion of self-respect. Despite the plurality of comprehensive conceptions of the good in Rawls' political liberalism and his lack of a complete enumeration of primary social goods, he does give an account of the most important primary social good, self-respect, which touches on an individual's relationship to himself.<sup>41</sup> He situates self-respect in his account of deliberative rationality: at a particular juncture in his life, an agent will consider both his own desires and his possible options. Imagining the future outcome of each of the possible choices, he will deliberate

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<sup>41</sup> Ibid., 365–72.

among them and make a decision. Even with limited information, an agent can make the subjectively rational best decision, though it might not be objectively rational.

In the time horizon of this planning process, Rawls emphasizes the importance of continuity, a feature of the plan that “bind[s] together the results and enjoyments of an entire life into one coherent structure.” Continuity counteracts regret: “a rational individual is always to act so that he need never blame himself no matter how his plans finally worked out.” Both the good that comes from this exercise of practical reason and the exercise itself depend on the possibility of its exercise in the first place. In the language of capability theory, the good relies on the functioning, which in turn needs the capability. Thus agency builds on the possibilities opened by political rights, economic rights, and internal goods.

Rawls defines self-respect in exactly this way: “a person’s sense of his own value” and “a confidence in one’s ability, as far as it is within one’s power, to fulfill one’s intentions.”<sup>42</sup> Not only does it require a plan that satisfies the Aristotelian Principle, but it also requires a community of people who “confirm and take pleasure” in what the individual does. The absence or imperfection of such a community can trigger shame instead. Thus the practical reason and sociability of human dignity form the foundation for moral agency.

The notion of conscience provides a point of contact in CST to the primacy of place that Rawls gives self-respect. Theologian John Mahoney gives a historical overview.<sup>43</sup> The term *syneidesis* originated in “Greek philosophy’s identification of the

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<sup>42</sup> Ibid., 386–91.

<sup>43</sup> John Mahoney, *The Making of Moral Theology: A Study of the Roman Catholic Tradition* (Oxford: Clarendon Press, 1989), 184–93.

experience of self-awareness in the forming of moral judgments.”<sup>44</sup> Both in the Greek as well as the Early Christian tradition, it is a constitutive element in the practical reason of all human beings. Moreover, it is more than a space of private moral reflection but takes on a social dimension. Thus it is the heart of human dignity. Paul speaks of the “law of God” written on the hearts of all in Romans (2:15), and Aquinas the need for recourse to external sources of reason to compensate for internal deficiencies. Conscience is developed in community.

Like the primacy of place that Rawls affords self-respect, Aquinas emphasizes the importance of an individual’s fidelity to himself as he experiences his conscience. To this end, despite his recognition of the imperfections in individual consciences, especially when they are applied to particular situations, Aquinas requires that an individual follow his conscience, even if his conscience errs, because not to do so would be to disregard one’s own sense of truth, which ultimately derives from God.<sup>45</sup> At the same time, as part of the growth of an individual’s life of faith, he presumes that the individual’s conscience will grow in conformity to the Divine Law of God.

In the modern period, Aquinas’ thought presaged a shift in Catholic teaching on religious freedom: the duty of the state to provide true religion and thus the salvation of the souls of its citizens has been supplanted by the even more important duty to respect their human dignity: “men should act on their own judgment, enjoying and making use of

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<sup>44</sup> Ibid., 185.

<sup>45</sup> “SUMMA THEOLOGIAE: The Goodness and Malice of the Interior Act of the Will (Prima Secundae Partis, Q. 19),” accessed December 14, 2017, <http://www.newadvent.org/summa/2019.htm#article6>.

a responsible freedom, not driven by coercion but motivated by a sense of duty.”<sup>46</sup> The previous section on political rights referenced another implication of this line of reasoning: Pope John XXIII’s acceptance of the language of human rights. Thus Rawls and CST agree on the importance of an individual’s sense of himself and the capacity to evaluate that sense. Next this section examines possible ways to measure agency.

One approach comes from within the discipline of economics. The new subfield of behavioral economics has begun to incorporate psychological insights into economic literature. Following Aquinas’ description of conscience, behavioral economists acknowledge fallibility in human decision making while evaluating different “nudge” approaches to improve it.<sup>47</sup> They evaluate these interventions using the same impact evaluation techniques, constructing treatment and control groups and comparing outcomes. Nevertheless, their methodology falls victim to the same critique of this thesis: who defines the outcome variables? Until the subjects themselves not only choose the outcomes of interest but also design the interventions, they remain merely the passive recipients of aid instead of active subjects of development. Thus, in order to measure agency, impact evaluation must look outside of itself.

Nussbaum’s work in Greek tragedy, Rawls’ consideration of the time horizon of an individual’s life plan, and CST’s references to salvation history hint at the narrative dimension of development. Another possible approach could consider individuals in the

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<sup>46</sup> “Dignitatis Humanae,” accessed December 14, 2017, [http://www.vatican.va/archive/hist\\_councils/ii\\_vatican\\_council/documents/vat-ii\\_decl\\_19651207\\_dignitatis-humanae\\_en.html](http://www.vatican.va/archive/hist_councils/ii_vatican_council/documents/vat-ii_decl_19651207_dignitatis-humanae_en.html).

<sup>47</sup> George Loewenstein and Emily Haisley, “The Economist as Therapist: Methodological Ramifications of ‘Light’ Paternalism,” in *The Foundations of Positive and Normative Economics: A Hand Book*, ed. Andrew Caplin and Andrew Schotter (Oxford University Press, 2008), 210–45.

context of their life stories and the stories of the communities around them. Paulo Freire's theory of education offers a promising possibility. Instead of the banking model by which teachers deposit knowledge in students' minds, or, by extension, a model in which development practitioners implement projects *for* members of the developing world, he proposes a liberative pedagogy that he calls "education as the practice of freedom":

Students, as they are increasingly posed with problems relating to themselves in the world and with the world, will feel increasingly challenged and obliged to respond to that challenge. Because they apprehend the challenge as interrelated to other problems within a total context, not as a theoretical question, the resulting comprehension tends to be increasingly critical and thus constantly less alienated. Their response to the challenge evokes new challenges, followed by new understandings; and gradually the students come to regard themselves as committed.<sup>48</sup>

Freire's approach suggests measuring elements that have not appeared thus far. On a practical level, this criterion would include the processes used to design and run development projects. Before designing and evaluating proposed solutions, who decides what counts as a problem in the first place? How many local people are involved in the planning and ongoing administration of the project? Who decides how resources are allocated? After the initial intervention by the development agency, in what time period does the project shift to complete local control?

By many metrics, two development projects could experience the same success. The one that takes place at the request of local people, involves the input of local people, trains local people, and is administered by local people will in the end enhance the ability of the local community to implement future development projects in a way that the other one does not. This section proposes that this increase in agency serves as the ultimate goal of development.

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<sup>48</sup> Paulo Freire, *Pedagogy of the Oppressed*, 2015, 81.

## **VI. Summary**

This chapter set out to evaluate five aspects of individual welfare to evaluate international development projects. It has employed resources from political philosophy: the thought of John Rawls and the capability theory of Sen and Nussbaum. In turn it has put these resources in dialogue with Catholic Social Teaching, especially in recent social encyclicals. The discussion of these five aspects followed a progression that highlighted the way that they built on one another. It began with the first aspect, human dignity in the form of practical reason and sociality. It turns to political and socio-economic rights. The language of capabilities works better than rights because it accounts for individual heterogeneities; moreover, it encompasses not only external but also internal goods. Central among the internal goods is the good of how individuals relate to themselves their exercise of practical reason. The chapter ended by arguing for the importance of considering this increase in agency.

All along, however, the discussion has failed to examine one methodological presupposition: the choice to construct a measure of social welfare as some combination of measures of individual welfare, instead of the other way around. From the beginning, human dignity encompassed the sociability of human beings; political and socio-economic rights concerned the obligations of the community to the individual, especially the least well off. Moreover, internal goods include an individual's sense of belonging or relationship to the community. Even the sense of agency concerns not only whether an individual can work out her life plan but also whether a community can confront a challenge itself, or at least on equal footing with an outside partner.

Therefore, the subsequent chapter will propose five aspects of social welfare that describe aspects of international development that these aspects of individual welfare have not yet included. This thesis will argue that only the combination of individual and social welfare can effectively provide normative criteria for measuring the effectiveness of development projects.

## **Chapter 3: Five Aspects of Social Welfare**

In attempting to develop a normative approach for the evaluation of development projects, the previous chapter surveyed five different aspects of individual welfare: human dignity, political rights, socio-economic rights, internal goods, and agency. The chapter traced several points of contact between Catholic Social Teaching and the capability approach that suggested the possibility of a mutually enriching conversation. Nevertheless, by the end of the chapter, what emerged were primarily the limitations of the point of departure itself: if any metric of individual welfare depends on agency, and individuals exercise their agency in relationships, a normative approach ought not to start from individual welfare and move outward to social welfare, but rather it should begin with social welfare and examine individual welfare against that backdrop.

In a similar way, the present chapter will examine five aspects of social welfare. This thesis argues that normative evaluation of development projects depends on measuring their impact on social welfare, and this task requires both a clear criteria of what to measure and how to measure it. CST will offer clues to the former; political philosophy and economics will assist with the latter. Each section will integrate elements of CST and the economics literature: social welfare and the common good, solidarity and social capital, subsidiarity and small-scale development, extractive institutions and dependent relationships, and authentic development and mutual flourishing.

The first section traces the history of economic attempts to measure social welfare. All have sought to integrate measures of individual welfare; sensitive to the reality of pluralism and the rights of minorities, recent work has distinguished between individual comprehensive conceptions of the good and common societal values. Nevertheless, this

methodology often has failed to consider interpersonal relationships on an equal ground with other elements of individual welfare like income, educational attainment, health, or personal happiness. A recent attempt in theology to provide empirical ways to measure the common good in light of CST indicates the importance of these relationships.

The second section more deeply examines these relationships, using economic literature on social capital and CST on solidarity. Both perspectives argue for the importance of repeated patterns of individual interactions in constructing broader societal norm. In addition, it proposes a new method, game theory, to measure social welfare than the simple aggregation of individual welfare of the first section. Game theory traces the effects of individual interactions on larger patterns of group behavior; here it reveals the result of different approaches to interpersonal interactions, especially economic transactions, on social norms around trust. Despite the advantage of selfish behavior in the short term, in a sufficiently small community with frequent interactions between members who know one another, trusting behavior wins out over the long term wins out and constructs a social norm that ultimately benefits the entire community.

In the third section, CST's notion of subsidiarity as well as literature on small-scale development corroborate this theoretical claim with complementary insights about how to structure social realities in a way that enhances individual agency: economic development works best when small groups of local people take responsibility for it. With this ideal in mind, the fourth section analyzes situations in which individuals do not experience individual agency, using economic literature on extractive institutions and CST on dependent relationships to examine the root causes of these situations. It argues that these situations involve large groups of anonymous interactions that lack solidarity.

The final section offers the methodological resource of Christian spirituality in general as well as Jesus' parables about the Kingdom and the practice of the Eucharist as normative guidance about proper relationships in the Kingdom of God. It argues that these practices function in two important ways: first, as metrics to evaluate social welfare, and second as concrete ways to reshape social welfare through the engagement of individual imaginations. Guided by these practices, renewed individually will relate differently to one another, both inside and outside the economic sphere, in ways that restructure social realities. Here we encounter the invitation of integral human development to deepen relationships that enhance our own agency and the agency of those around us.

### **I. Social Welfare and the Common Good**

This section begins with Amartya Sen's extensive work on metrics of social welfare. Based on his experience in the pluralistic Indian context, Sen builds on Pareto efficiency and Arrow's impossibility theorem in search of a way to construct a social structure that respects minority viewpoints, so that the individual preferences of all are incorporated more completely in social preferences. It argues that Sen's work falls short in two respects: first, it does not engage the interpersonal dimension of human life as a constitutive element but merely as a second-order good, and second, it fails to offer a richer vision of social welfare beyond the procedural.

In the process, Sen engages with Rawls' Original Position, which invites the reader to put herself in the position of another who differs in concrete circumstances. This exercise bears relevance to the present discussion for two reasons. First, the notion of solidarity in CST begins with just such an encounter. Second, the use of the

imagination will play an important role in the Christian spiritual practice that the final section proposes. After an interlude with Rawls, the section turns to economist-theologian Albino Barrera's proposal for empirical metrics of the common good. Barrera measures a much richer set of individual and social indicators than the usual literature, and his work bears much in common with Nussbaum's list of Basic Human Capabilities from the previous chapter.

In addition, both Barrera and Nussbaum employ a narrative methodology. Barrera's presentation of the theological foundations of the common good incorporates elements of the Biblical narrative, and other work by Nussbaum seeks to add a narrative dimension to a nation-state's common good. By seeing human life in terms of plot and characters instead of empirically quantifiable elements, narratives provide an alternate way for how individual interactions fit together into broader social patterns. The subsequent section will continue to mine this question of how to integrate individual encounter and social structures, at the heart of social welfare.

First, however, it begins with Amartya Sen's work on social welfare functions. Sen recounts that in his undergraduate years, "my attempts to get my fellow students—and teachers—interested in social choice theory were a dismal failure."<sup>1</sup> Fortunately, his interest in the subject continued, leading to the production of a body of work that eventually garnered him the Nobel Prize. Sen describes the goal of his project as the incorporation of interpersonal comparisons of utility into the social choice framework developed by Kenneth Arrow.

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<sup>1</sup> Amartya Sen, *Collective Choice and Social Welfare: An Expanded Edition* (Cambridge, Massachusetts: Harvard University Press, 2017), xv.

Before Arrow, Pareto proposed a method that ranked one social situation B as better than another A if some individual preferred B to A but no individuals preferred A to B. In turn, using this approach, we can label a social situation Pareto-efficient if no change can be made that would result in an improvement for one person without a loss for another person.<sup>2</sup> Arrow builds on Pareto's work by considering the problem of finding a mathematical function that maps individual preferences to social preferences. His result, the Arrow Impossibility Theorem, claims that no function can satisfy these four criteria: 1) it works with any set of individual preferences; 2) it follows the Pareto principle above; 3) it does not require any information beyond individual preferences; 4) it does not give an individual dictatorial power over the group.<sup>3</sup>

To overcome this dilemma, Sen introduces the distinction between basic and non-basic judgments, preferences that an individual is willing to revise and ones that he is not.<sup>4</sup> For example, faced with a group majority at odds with his individual preference in a given situation, an individual might choose to revise this particular preference (a non-basic judgment) in favor of a commitment to the group as a whole (a basic judgment). On the other hand, particular historic situations can affect one's underlying commitments to institutional structures: the tenure of Oliver Cromwell motivated Thomas Hobbes' *Leviathan*, the French Revolution motivated Condorcet's early work in voting theory, and the institution of slavery spurred amendments to the US Constitution. These examples represent one extreme in which some individual preferences affect basic values, but at the opposite extreme, in a liberal political framework, other individual preferences carry no

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<sup>2</sup> Ibid., 67–9.

<sup>3</sup> Ibid., 84–7.

<sup>4</sup> Ibid., 109–10.

weight at all, such as whether one sleeps on one's stomach or one's back, a purely private preference.<sup>5</sup> Thus unlike Pareto and Arrow, Sen allows for a mutual relationship between individual preferences and group social norms that foreshadows the next section's use of game theory. His account also implies a temporal dimension to the formation of group preferences that allows for the narrative method below, though as a classically-trained economist, he would probably admit variation over the course of time only as an intermediate stage on the way to equilibrium, a social arrangement that perfectly captures individual preferences for all time.

For the moment, Sen delineates three important questions around social welfare: 1) what informational base to use to measure individual welfare; 2) how to compare the welfare of two individuals; and 3) how to integrate these interpersonal comparisons of individual welfare into a metric of social welfare.<sup>6</sup> The second chapter examined and rejected a number of possible solutions to the first question. For the moment, this section focuses on Sen's proposal for the second one: "one method of making interpersonal comparisons is to try to put oneself in the position of the other."<sup>7</sup> As examples of this approach, he cites Jesus's Golden Rule, Kant's Categorical Imperative, and Rawls' Original Position, which we briefly reviewed in the previous chapter.

The previous chapter's reference to the Original Position highlighted the inclusion of all citizens in the process; here this section pays close attention to the way that it invites all citizens to use their moral imagination to evaluate a proposed institutional arrangement from another perspective than their own. Rawls begins with an abstract

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<sup>5</sup> Ibid., 130–1.

<sup>6</sup> Ibid., 174.

<sup>7</sup> Ibid., 187.

situation, his “veil of ignorance,” in which the participants are not aware of their own particular characteristics; from here, he derives as part of “justice as fairness” a principle that permits any social inequality only if it makes the worst-off person better off.

Though Sen points out the limitations of Rawls’ difference principle, he praises the method: “the idea of morally recommending a collective choice mechanism.”<sup>8</sup> After surveying a number of additional methods, however, at the end of his exhaustive work, he offers rather thin criteria for a constructive approach. As chapter 2 discussed, the normative criteria Sen does offer tends towards the proceduralist:

The conceptual underpinning of normative social choice theory as an approach is centrally dependent on reasoning in general, and public reasoning in particular. Indeed, the fundamental connection between public reasoning, on the one hand, and the demands of participatory social decisions, on the other, is central not just to the practical task of making democracy more effective (important as it is), but also for achieving an adequate understanding of the demands of social choice.<sup>9</sup>

Sen’s strong expression “the demands of social choice” refers to the need for democratic institutions to provide an alternative response to authoritarian institutions and present global crises: he gives the examples of the lack of respect of women’s rights in many countries and the continued use of capital punishment. Whatever the dilemma, Sen favors arriving at a solution through public reason instead of coercion in order to respect individual freedom; moreover, in addressing pressing questions of global justice, he counsels that we ought not wait on perfect solutions or institutions but rather should implement whatever partial consensus public reason can achieve.

Despite the laudable character of these principles, they fail to satisfy in two ways. First, because Sen begins at the individual level by constructing a metric of social welfare

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<sup>8</sup> Ibid., 197.

<sup>9</sup> Ibid., 462.

based on individual preferences, he cannot offer a richer vision of social welfare except for that society in which all are involved in a deliberative process. Second, though he successfully integrates interpersonal comparisons into Arrow's decision framework, he does not touch on the relational dimension of individual welfare. Extensions to Sen's work could in theory expand the informational base of interpersonal comparisons by incorporating internal measures of good such as psychological metrics of happiness, which include satisfaction in relationships. Nevertheless, such concerns would remain secondary and lack normative force, for another metric of social welfare could just as well not consider these dimensions of human life.

Like Sen, economist and theologian Albino Barrera attempts to apply the abstract notion of the common good from Catholic Social Teaching to concrete economic realities, offering his own proposed metric to measure social welfare. Barrera himself acknowledges that he faces two problems at the outset: first, official church teaching on the common good has appeared most often in the context of encyclicals that have offered winding commentary upon the social situation of particular eras, not as a focused set of universally valid principles; second, despite concrete mention of particular realities, the principles posed in these responses have remained at the level of abstraction, lacking detail of implementation.<sup>10</sup> Nevertheless, he begins with the most recent official ecclesial definition of the common good: "the sum total of social conditions which allow people,

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<sup>10</sup> Albino Barrera, "What Does Catholic Social Thought Recommend for the Economy?," in *The True Wealth of Nations: Catholic Social Thought and Economic Life*, ed. Daniel Finn, 1st edition. (Oxford: Oxford University Press, 2010), 13–15.

either as groups or as individuals, to reach their fulfillment more fully and more easily.”<sup>11</sup>  
Barrera seeks to evaluate social conditions based on their effect on individual fulfillment.

In his presentation of the common good, Barrera employs narrative elements. Barrera derives three characteristics of the common good from the Biblical account of *sdq* (justice): 1) its place as part of the divine order; 2) the role of human beings in participating in this divine order; 3) the importance of right relationships in this divine order. The Biblical tradition offers a variety of eschatological images for this common good, e.g. each person sitting under his own vine and fig tree (Mi 4:1-5), the land of milk and honey (Dt 30:20-21), or the goodness of the Garden of Eden (Gen 1). Although these images would be inadmissible in the public deliberations of political liberalism, they exert an emotional force more powerful than even the most appealing principles of justice and deliberative democracy.

In fact, Martha Nussbaum devotes an entire work to the reconstruction of civil religion as a key to strengthening democracy. In contrast to Rawls and Sen, who emphasize the importance of reason, she argues:

Real people are sometimes moved by the love of just principles presented just as such, abstractly; but the human mind is quirky and particularistic, more easily able to conceive a strong attachment if these high principles are connected to a deeper set of perceptions, memories, and symbols that have deep roots in the personality and in people’s sense of their own history [. . .]. If the sources of memory are securely tethered to political ideals, however, such problems can be transcended, and the symbols may acquire a motivational power that bare abstractions could not possess.<sup>12</sup>

Like Barrera’s recourse to Scripture above, Nussbaum’s use of narrative and images implies a fuller picture of human beings than the dominant model of rational agents of

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<sup>11</sup> *Compendium of the Social Doctrine of the Church*, USCCB (Washington, DC: Libreria Editrice Vaticana, 2004) no. 164.

<sup>12</sup> Martha C. Nussbaum, *Political Emotions: Why Love Matters for Justice*, Reprint edition. (Cambridge, MA: Harvard University Press, 2015), 10.

economics. This philosophical anthropology aligns with both of their subsequent consideration of a richer set of outcomes of interest for integral human development.

Barrera continues: material sufficiency is a necessary but not a sufficient condition for economic prosperity. Human beings freely exercise their moral agency to satisfy the basic needs of themselves and others; they do not satisfy these needs as ends in and of themselves, however, but as a means to deeper life in God. References to God do not pass muster in the arena of public reason, but references to the transcendent might possibly, in the sense that integral human development consists in the “development of the whole person (body, mind, and spirit).”<sup>13</sup>

Moreover, the eschatological orientation above provides a framework of obligations to self, others, and the environment. Functioning in a way similar to Nussbaum’s list of Basic Human Capabilities, Barrera’s work provides a list of obligations and metrics for governments, households, and business that taken together consist of a schema for measuring the realization of the common good in a particular country at a particular time.<sup>14</sup> The real contribution of CST, however, comes in its treatment of the virtue of solidarity, to which this chapter now turns.

## **II. Solidarity and Social Capital**

This section will begin with literature from CST and economics on solidarity, which operates at the level of individual interpersonal interactions. Next, it will present the analogue at the societal level, social capital, and explore different approaches to measure it. The first wave of empirical studies measured trust using responses from

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<sup>13</sup> Barrera, “What Does Catholic Social Thought Recommend for the Economy?,” 19–20.

<sup>14</sup> *Ibid.*, 29–33.

cross-cultural household surveys; subsequent research has used the tools of game theory to model the relationship between repeated individual interactions and social norms. Game theory results provide important insights about the importance of network size and frequency of interaction for the emergence of social norms that facilitate development. These empirical results will motivate the subsequent section's presentation of subsidiarity and small-scale development.

The first sustained treatment of solidarity in CST comes in John Paul II's encyclical *Sollicitudo Rei Socialis*.<sup>15</sup> Twenty years after Paul VI's *Populorum Progressio*, at the twilight of the Cold War, John Paul II here offers his own perspective on human development. Whereas Paul VI mentions solidarity in terms of reciprocal obligations both at the level of the individual and the nation-state, John Paul II expands the concept, describing solidarity as a virtue that responds to the moral evil of "structures of sin."

It is a firm and persevering determination to commit oneself to the common good; that is to say, to the good of all and of each individual, because we are all really responsible for all. This determination is based on the solid conviction that what is hindering full development is that desire for profit and that thirst for power already mentioned. These attitudes and "structures of sin" are only conquered – presupposing the help of divine grace – by a diametrically opposed attitude: a commitment to the good of one's neighbor with the readiness, in the gospel sense, to "lose oneself" for the sake of the other instead of exploiting him, and to "serve him" instead of oppressing him for one's own advantage (38).

Solidarity refers to a particular way human beings relate to one another: recognizing mutual responsibility instead of taking advantage, serving instead of exploiting.

To cash out this definition, we must deepen our understanding both of "common good" and "social sin." Hollenbach contends that in order to strengthen the bonds of

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<sup>15</sup> John Paul II, "Sollicitudo Rei Socialis," last modified December 30, 1987, accessed November 13, 2017, [http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf\\_jp-ii\\_enc\\_30121987\\_sollicitudo-rei-socialis.html](http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_30121987_sollicitudo-rei-socialis.html).

society that make up common good we must recognize “human relationships as intrinsically valuable in and of themselves.”<sup>16</sup> He builds on Aristotle’s distinction between instrumental and intrinsic friendship in the *Nicomachean Ethics* and Kant’s between using human beings as ends or means, but extends them: the fruits of human relationship expand beyond the friends to a “shared life of communication and interaction with others.”

This shared life includes meeting the needs of individuals, such as the various forms of individual welfare that chapter 2 surveyed. Individual welfare, however, does not serve as an end in and of itself; instead, it allows for a deeper shared public life that both “fulfills needs that individuals cannot fulfill on their own” and “realizes non-instrumental values that can only be attained in our life together,” chief among them our “moral interdependence,” as John Paul II expresses above: “we are all really responsible for all.”

The economics literature also links solidarity with mutual responsibility. A classic study by Fafchamps notes that “the ethical values of pre-capitalist societies emphasize solidarity as a moral obligation and subsistence as a right.”<sup>17</sup> He describes pre-capitalist solidarity systems in terms of “mutual insurance.”

The person receiving assistance is not expected to give back something equivalent to what is received. What is expected from the recipient is simply to help others in return. How much help must be provided is not entirely specified. It depends on the recipient’s own circumstances at the time as well as on the situation of those calling for help.

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<sup>16</sup> David Hollenbach, *The Common Good and Christian Ethics* (Cambridge, UK: Cambridge University Press, 2011), 79–86.

<sup>17</sup> Marcel Fafchamps, “Solidarity Networks in Preindustrial Societies: Rational Peasants with a Moral Economy,” *Economic Development and Cultural Change* 41, no. 1 (1992): 148.

Surprisingly, in difficult times, e.g. situations of war or natural calamities, Fafchamps documents that the use of solidarity and mutual assistance increases. He also notes the “incentive problems” that come with solidarity networks, including freeloading, to which this section will return.

The concept of social capital from the discipline of sociology provides a bridge to move from solidarity, which operates at the level of individual interpersonal interactions, to an aspect of social structures writ large, and by extension a measure of social welfare. This tool has been used by sociologists to study the effect of social relationships on economic prosperity. Sociologist and theologian John A. Coleman offers a summary definition from the literature: “dense networks of interaction anchored in social space between the family and the state, which facilitate access to human capital (skill formation) and wealth opportunities.”<sup>18</sup>

As Coleman points out, social structures can cut both ways: they can offer opportunity for the powerless as well as fortify the positions of the powerful. The mere presence of relationships, however, does not guarantee either economic prosperity or civic virtue; in certain cases, like the mafia, in fact, social capital may grant the former but not the latter, in a way that harms broader society instead of helping it. Nevertheless, Coleman highlights four ways that social capital can optimize market interactions: 1) it encourages cooperation instead of free riding; 2) it makes everyday interactions less time-consuming, cumbersome or costly; 3) it expands an individual’s awareness of linkages;

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<sup>18</sup> John Coleman, “Wealth Creation, Social Virtues, and Sociality,” in *The True Wealth of Nations: Catholic Social Thought and Economic Life*, ed. Daniel Finn, 1st edition. (Oxford: Oxford University Press, 2010), 208–9.

4) it serves as a conduit for useful information. By this reasoning, the strengthening of social capital in a country would improve the performance of its economy as well.<sup>19</sup>

One potential problem arises with the difficulty of measuring social capital. Like notions of the common good, the variety of open-ended definitions of social capital have often left little that is tractable for economic analysis, despite the cross-country qualitative comparisons that its advocates in sociology have employed. Here two recent developments in the economics literature offer a guide. First, economists Stephen Knack and Philip Keefer find a positive, causal relationship between trust and civic participation, as measured via the cross-country World Values survey, and GDP growth on a panel of 29 countries over 12 years.<sup>20</sup> They offer their results as empirical backing to the claim above about the role of social capital in economic performance. In further analysis, they find additional positive relationships between these measures of trust and both government performance and the security of property rights. This result gives insight into the mechanism by which social capital helps: it “lubricates” and strengthens formal institutional structures.

Second, Bruce Wydick applies game theory to networks of social interactions to analyze social norms about trust.<sup>21</sup> He notes that in many communities with high social capital, trust acts like a social norm. In a situation like market exchange, how could a social norm have evolved? One approach would look at the interaction between two

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<sup>19</sup> Coleman makes use of the classic study Robert D Putnam, *Bowling Alone: The Collapse and Revival of American Community* (New York, NY: Simon & Schuster, 2007).

<sup>20</sup> Stephen Knack and Philip Keefer, “Does Social Capital Have an Economic Payoff? A Cross-Country Investigation,” *The Quarterly Journal of Economics* 112, no. 4 (1997): 1251–1288.

<sup>21</sup> Bruce Wydick, *Games in Economic Development*, 1st edition. (Cambridge, UK: Cambridge University Press, 2007), 200–10.

anonymous buyers and sellers as a version of the well-known Prisoners' Dilemma. The small incentive favoring cooperating pales in comparison to the larger incentive for either party to cheat the other.

When the market interaction functions not as an isolated case, however, but as part of a repeated set of social interactions on a regular basis, the optimal outcome changes. If the two parties do business often enough, the aggregate profit over numerous successful exchanges comes to outweigh the one-time advantage that may derive to one party when cheating the other. The two key variables of *frequency of interaction* and *size of the network* determine the overall outcome of the system. A small-enough system with frequent interactions creates an incentive structure that favors trustworthy behavior. Moreover, as an extension, Wydick allows for a mix of two kinds of market actors—Trusters and Cheaters. Here too, a high-enough percentage of Trusters can sustain the social norm of trustworthy behavior despite the presence of a small minority of Cheaters.

As Wydick comments, these results show that “smaller, informal networks offer some advantages that are not characteristic of more formal economies where interaction is more anonymous.” He offers examples of networks of traders and moneylenders in developing countries in which network size allows for the accumulation of social capital that reduces transaction costs. Even with formal institutional structures, larger scale networks cannot compete.

Thus, this section argues that the combination of solidarity at the individual level and social capital at the societal level represent an important aspect of social welfare. In addition, the analytical tool of game theory provides a better alternative to understanding the relationship between the micro and the macro: individual interactions and their

society-wide outcomes. In addition to quantifying the benefits of solidarity, game theoretic results about optimal network size and frequency of interactions also offers empirical support for the principle within Catholic Social Teaching of subsidiarity and recent economics literature on small-scale development, which the next section examines.

### **III. Subsidiarity and Small-Scale Development**

Building on the previous section's discussion of the mechanisms by which solidarity and social capital contribute to social welfare, this section will explore two complementary approaches to structuring society that facilitate these mechanisms: the principle of subsidiarity in Catholic Social Teaching and the recent trend of small-scale development in economics. Pope Pius XI's insights about the situation of labor in the developed world find much common ground with development economist Manfred Max-Neef's reflections on his work in the developing world. Both offer concrete guidance about how to structure the social order to facilitate development: it must consist of organizations sufficiently small to maintain the constructive patterns of interaction that the previous section described and that include local people, so that they grow in their ability to exercise their agency.

The section begins with a brief history of the principle of solidarity. Forty years after *Rerum Novarum*, in 1931 Pope Pius XI released a follow-up social encyclical *Quadragesimo Anno* in order to respond to the worldwide financial depression and rising gap between the rich and the poor; in it, he proposed an alternate approach to organizing social structures in contrast to both liberal individualism and communist or fascist

collectivism.<sup>22</sup> Pius XI proposes a way to measure social welfare based on the situation of workers:

For then only will the social economy be rightly established and attain its purposes when all and each are supplied with all the goods that the wealth and resources of nature, technical achievement, and the social organization of economic life can furnish. And these goods ought indeed to be enough both to meet the demands of necessity and decent comfort and to advance people to that happier and fuller condition of life which, when it is wisely cared for, is not only no hindrance to virtue but helps it greatly (75).

In his view, social welfare demands the satisfaction of basic needs but encompasses more than these needs, for ultimately material goods serve only as a means to spiritual fulfillment.

After commenting on the economic situation of individuals, Pius XI turns to the “reform of institutions” and the “correction of morals” (77). For the first time in CST, the phrase “social justice” appears, which he links to the common good. At the individual level, social justice demands that “one class is forbidden from excluding the other from sharing in its benefits” (57), but in addition “the institutions themselves of peoples and, particularly those of all social life, ought to be penetrated with this justice” (88). In particular, the State must enforce in concrete terms the requirements of the common good in a particular context (49). It should not, however, do more than necessary; rather it ought to “let subordinate groups handle matters and concerns of lesser importance, which would otherwise dissipate its efforts” (80). Pius XI calls this principle the “subsidiarity function” of the State.

In the *Politics*, Aristotle as well considers the optimal size of a State (1326a5-b26).<sup>23</sup> Like Pius XI, he reasons from the principle of order: “experience shows that a

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<sup>22</sup> Pius XI, “Quadragesimo Anno,” last modified May 15, 1931, accessed March 25, 2018, [http://w2.vatican.va/content/pius-xi/en/encyclicals/documents/hf\\_p-xi\\_enc\\_19310515\\_quadragesimo-anno.html](http://w2.vatican.va/content/pius-xi/en/encyclicals/documents/hf_p-xi_enc_19310515_quadragesimo-anno.html).

very populous city can rarely, if ever, be well governed; since all cities which have a reputation for good government have a limit of population” (1326a5). Good government requires not only a manageable size for the one governing, but also a depth of interpersonal relationship among the citizens: “if the citizens of a state are to judge and to distribute offices according to merit, then they must know each other’s characters” (1326b15). Thus, he concludes that “the best limit of the population of a state is the largest number which suffices for the purposes of life, and can be taken in at a single view” (1326b25). The “single view” echoes back to the agora, the democratic assembly by which citizens governed the polis in Athenian democracy.

The Chilean development economist Manfred Max-Neef builds on Aristotle’s notion of government at a manageable scale as he proposes an alternate paradigm to international development that he denotes “barefoot economics.” He identifies four problems with prevailing paradigms of international development:<sup>24</sup>

- 1) our unlimited admiration for giantism and ‘big’ solutions;
- 2) our obsession with abstract measurements and quantifiers;
- 3) our mechanistic approach to the solution of economic problems;
- 4) our tendency to oversimplify, as reflected by our efforts to favor an assumed ‘technical objectivity’ at the expense of losing a moral vision, a sense of history and a feeling for social complexity.

Max-Neef regards as crucial the “active participation of the rural population in the development process”; instead of confrontation between outside experts and the local population, he seeks to place local populations from different regions in dialogue with one another.<sup>25</sup>

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<sup>23</sup> Richard McKeon, ed., *The Basic Works of Aristotle*, Reprint edition. (New York: Modern Library, 2001).

<sup>24</sup> Manfred A Max-Neef, *From the Outside Looking in: Experiences in “Barefoot Economics”* (London, UK: Zed Books, 1992), 21.

<sup>25</sup> *Ibid.*, 31.

Pius XI does not use the language of development, but rather of “reconstructing the social order” so that “the conflict between the hostile classes be abolished and the harmonious cooperation of the Industries and Professions be encouraged and promoted” (81). To this end, he promotes associations that occupy a middle level between the individual and the State:

just as inhabitants of a town are wont to found associations with the widest diversity of purposes, which each is quite free to join or not, so those engaged in the same industry or profession will combine with one another into associations equally free for purposes connected in some manner with the pursuit of the calling itself (QA 87).

These associations echo the previous discussion in this chapter of social capital and the decline in American civil participation that Robert Putnam and others have highlighted. Depending on the commentator, they also evoke nostalgia for the medieval guild system, endorsement of worker-owned cooperatives as an alternative to capitalism, or support for labor unions.<sup>26</sup> For the moment, this section argues that they represent common ground with Max-Neef’s support for economic development at a “human scale” and his practice of putting villages in dialogue with one another. In both cases, local people increase their agency and participate in their own development through small organizations.

Uncharacteristic for an economist, a sophisticated philosophical anthropology underlies Max-Neef’s proposal. Instead of magnitude as the sole aim of economic growth, “increasing the size of the pie so that each person receives more,” he proposes to consider demography as well by introducing a measure of the ecological impact of each person’s life. Human beings must not live out an antagonistic relationship with either one another or their environment; rather, development must encourage a relationship of

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<sup>26</sup> Hinze, Christine Firer, “Commentary on Quadragesimo Anno,” in *Modern Catholic Social Teaching: Commentaries and Interpretations*, ed. Kenneth R. Himes (Washington, D.C: Georgetown University Press, 2005), 167–68.

interdependence with both. Like the solidarity that the previous section touched on, this interdependence requires development projects of a certain scale, no larger, and no smaller, and nature can teach us about this scale, he argues.<sup>27</sup>

Based on this firsthand experience, Max-Neef rejects nationalized development projects that do not address the “structural problems” that account for the poverty of “invisible people,” primarily “exploitative” employment relationships that remain despite interventions to modernize agricultural practice and increase efficiency. Instead, he would rather teach the poor how to circumvent the national order themselves, in words that echo those of Pius XI above:

If national systems have learned to circumvent the poor, it is the turn of the poor to learn how to circumvent the national systems. This is what can be done and, in my opinion, must be done at local levels. Think small and act small, but in as many places as possible. Whatever cannot be achieved with national systems must necessarily assume the many forms of local self-reliance. Everything that can be done at local levels, is what should be done at local levels. The path, it seems to me, must go from the village to a global order.<sup>28</sup>

Like Aristotle, he argues for an optimal size of a small unit, whether a self-contained village or a neighborhood of a large city, which allows a human being to experience a sense of identity and integration within a larger unit. These scenarios he calls “humanizing,” in contrast to the “alienating” experience of modern life lived in units so large that they do not foster community. Within a small enough unit, the human being retains a sense of agency as a person; in the larger unit, he or she feels treated like an object that others manipulate. Keeping units small requires that development practitioners

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<sup>27</sup> Max-Neef, *From the Outside Looking In*, 51–5.

<sup>28</sup> *Ibid.*, 116–17.

act against the unbridled search for growth, efficiency, or “economies of scale” that has dominated economic thinking.<sup>29</sup>

Max-Neef’s “small scale development” fits well with Pius XI’s “Christian moderation.” In contrast to the “sordid love of wealth,” Pius XI proposes this “Christian moderation” as a solution to the poverty that he observes. Though he sanctions the increase in wealth for individuals and the community that comes with improved production, producers must see wealth as a means and not an end to the kingdom of God (136). The remaining two sections will ask this important question: how can this Christian symbol of the Kingdom of God offer guidance about how to structure more just economic relationships?

The present section has examined complementary mechanisms to increase solidarity and social capital and thus enable effective human development. The previous sections argued that these aspects of social welfare serve as better metrics than aggregating metrics of individual welfare because they give primacy of place to interpersonal relationships. In this section, Aristotle’s insights about the *polis* as the group that can debate publically in the agora, Pius XI’s argument for the importance of associational life in industrial society, and Max-Neef’s experience putting local people in dialogue as an essential aspect of development practice give content to the social practices that can promote effective human development. The next section explicitly integrates economic life into these social relationships and provides a counterexample of poor development.

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<sup>29</sup> Ibid., 132–33.

#### IV. Extractive Institutions and Dependent Relationships

This section connects economic life into the general pattern of societal relationships that the previous sections have examined. Other eras have more easily recognized this connection, but the present age stands out for two reasons: 1) the profound influence of economic life on social relationships; 2) the double lack of awareness of this influence and corresponding unwillingness to evaluate economic transactions through a moral lens. Two resources from the Christian tradition provide the link: William Spohn's account of the role of the symbol of the Kingdom of God in Christian ethics and Albino Barrera's exposition of the important aspect of economic life as part of the domain of moral agency. This connection allows this section to apply the analysis of Christian social ethics to economic transactions, using Pope Benedict XVI's encyclical *Caritas at Veritate*. Two pieces of economics literature sharpen Benedict's account of the present state of affairs: Galeano's *Open Veins of Latin America* and a well-known paper on settler mortality rates by Acemoglu et. al. Both paint a sobering picture of the effects of five centuries of extractive development on the developing world. This reality motivates the spiritual practices of the final section.

William Spohn highlights the central role of the symbol of the *basileia tou theou* (often translated "kingdom of God" or "reign of God") in Christian ethics. On the one hand, it is the "image most frequently used by Jesus in the Gospels," but on the other hand "every attempt to define it as a precise theological concept fails."<sup>30</sup> Spohn sees it as a "metaphorical framework" that "suspends many of the familiar ways of looking at the world and our own lives" in order to reveal more deeply the presence of God in our

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<sup>30</sup> William C. Spohn, *Go and Do Likewise: Jesus and Ethics* (New York: Continuum, 1999), 66–71.

everyday lives. Thus, growth in Christian discipleship requires that believers engage their analogical imagination, to let the many metaphors that Jesus employs to describe the Kingdom of God challenge them so that they come to perceive parallel situations in their own lives. For Spohn, Jesus' preaching does not provide concrete directives; rather, Jesus "calls people to enter into the reign of God by doing *the sorts of things* that he did *with the same motives*." Spohn's mention of this imagination connects with Nussbaum and Barrera's use of narrative in the previous section. Both elements fill out the philosophical anthropology of the rational agent, *homo economicus*.

Modern commentators argue that the everyday realities that Jesus' parables reshape include market interactions. Pope Benedict XVI's encyclical *Caritas et Veritate* examines the role of charity in these market interactions, which play an important role in social life, especially in the context of relationships between the developing and the developed world. Released shortly after the global financial crisis, this encyclical offers a recent reflection (2008) on human development, in the same vein and at the same twenty-year interval as John Paul II's *Sollicitudo Rei Socialis* (1987), which reflected on the legacy of Paul VI's *Populorum Progressio* (1967), both of which this thesis has reviewed. Pope Benedict XVI indicates,

the market is the economic institution that permits encounter between persons, inasmuch as they are economic subjects who make use of contracts to regulate their relations as they exchange goods and services of equivalent value between them, in order to satisfy their needs and desires.<sup>31</sup>

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<sup>31</sup> Benedict XVI, "Caritas in Veritate," para. 35, last modified June 29, 2009, accessed November 13, 2017, [http://w2.vatican.va/content/benedict-xvi/en/encyclicals/documents/hf\\_ben-xvi\\_enc\\_20090629\\_caritas-in-veritate.html](http://w2.vatican.va/content/benedict-xvi/en/encyclicals/documents/hf_ben-xvi_enc_20090629_caritas-in-veritate.html).

In response to the present reality, Benedict offers a positive proposal in the form of an image of gift that reshapes market interactions. To appreciate his proposal, this section will examine the present reality from a theological and economic lens.

Theologian-economist Barrera provides the theological lens with his work on the problem of scarcity and the related theological problem of theodicy: how could a good God create a world with the presence of unfulfilled needs, not only for luxury goods but also for basic necessities, in which many continue to live in poverty? In contrast to Thomas Malthus, who argues that scarcity and by implication the existence of poverty in the world form a necessary part of the human condition to motivate human beings, who are naturally lazy, Barrera argues that scarcity is accidental and not part of God's plan. God works through it, however, as its presence invites human beings to participate in God's goodness and action in the world. This participation opens the possibility for deeper human life than if scarcity had not existed in the first place.

This thesis lack the space to accompany Barrera as he traces this provocative thesis through many branches of theology—the Old Testament, the Pauline corpus, and the problematic of the relationship between grace and nature within systematic theology—but for the present discussion we make use of his account of the Kingdom of God, since Spohn also argues for the relevance of that symbol for Christian ethics. Here Barrera argues that material sufficiency is intrinsic to the gift of creation, for God takes care of the birds of the air and the lilies of the field, but that human material sufficiency comes as a byproduct of human conduct, insofar as humans “seek first the kingdom of God and his righteousness and all these things will be given you besides” (Mt 6:33). In

other words, the poverty of the human race will only be alleviated if human beings take action; moreover, they will find their salvation there.

In particular, this human conduct includes economic agency, not at an individual but at a communal level. Barrera emphasizes the “fundamentally relational” character of economic life: “wealth can confer autonomy by removing the need to depend on others; a finite earth requires sharing; production processes reflect a tight network of interdependence; economic processes spawn externalities with ripple effects.”<sup>32</sup> Within this web of relationships, every action of an individual either codifies existing, often unjust, patterns of relationship or promotes new, just ones. The Christian tradition describes our relationships to one another as not contractual but covenantal, so these mutual obligations extend to the economic sphere, to the extent that we might have to “relinquish our own claims over the finite goods of the earth for the sake of others.”<sup>33</sup>

Barrera links this relinquishment to the spirituality of the cross. Like the journey of faith in general, acting in this way will require repeated sacrifices. He argues that we cannot eliminate the presence of the cross, but we can decide “whether we are going to bear the cross at all or not, how well we are going to shoulder it, and how the burden-bearing is to be apportioned.”<sup>34</sup> In particular, we must examine whether we can lighten the burden borne by the poor. The subsequent two pieces of economic literature provide a concrete account of that burden in the legacy of European colonization. The next section will return to Jesus’ parables about the Kingdom of God to propose spiritual practices that invite us to shoulder the burden of the poor.

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<sup>32</sup> Albino Barrera, *God and the Evil of Scarcity: Moral Foundations of Economic Agency*, 1st edition. (Notre Dame, Ind: University of Notre Dame Press, 2005), 137.

<sup>33</sup> Ibid., 138.

<sup>34</sup> Ibid., 141.

In the Latin America context, Eduardo Galeano's classic study provides a graphic account of the five centuries since the Colombian encounter.<sup>35</sup> The title *Open Veins of Latin America* summarizes well the repeated pattern that he finds: initial plundering of gold and silver in the first century of European occupation, subsequent overproduction of export crops such as sugar, cotton, and coffee in later years; and the present use of Latin American manufacturing as a source of cheap labor. In his view, this history accounts for the continued gap between the rich and the poor: rich cities and poor countryside within each country, rich and poor countries on the Latin American continent, and the rich Global North and poor Global South. Writing in the 1970s, he predicts present debates about the winners and losers of globalization and free trade regimes.

Development economist Daron Acemoglu and his colleagues also empirically quantify the effect of colonization in general and resource extraction in particular on GDP growth in 64 countries.<sup>36</sup> They find that differences between historic settler mortality rates account for 25% of the difference in per-capita GDP among 64 former colonies. As an explanation, they propose that colonial powers set up qualitatively different institutions in these countries. In places where colonists wanted to live with low mortality rates like Australia, New Zealand, or the United States, they set up neo-European institutions with strong property rights and checks on executive power; in places where colonists did not want to live, like Belgian Congo, they set up "extractive institutions" that did not value rule of law but maximized profits in the way that Galeano

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<sup>35</sup> Eduardo Galeano, *Open Veins of Latin America: Five Centuries of the Pillage of a Continent*, trans. Cedric Belfrage, 25th Anniversary Edition. (New York: Monthly Review Press, 1997).

<sup>36</sup> Daron Acemoglu, Simon Johnson, and James A. Robinson, "The Colonial Origins of Comparative Development: An Empirical Investigation," *The American Economic Review* 91, no. 5 (2001): 1369–1401.

describes. Surrounded by these examples of deliberately deficient development that, instead of improving the developing world, actually make life worse, what alternative approach can CST offer?

In *Caritas in Veritate*, Benedict XVI proposes the virtue of solidarity in response to extractive relationships between the developed and developing world. Despite the presence of growth as a “positive factor that has lifted billions of people out of misery,” he remains concerned about “the malfunctions and dramatic problems” of “this same economic growth” that are “highlighted even further by the current crisis” (CV 21). In contrast to the world of *Populorum Progressio*, in which economic life remained within national boundaries, Benedict XVI addresses a world in which production of goods, markets for their sale, and the labor force responsible for both extend beyond national boundaries. As the title of the encyclical indicates, he would like to restore a notion of gratuitous gift within the domain of market exchange: as “a gift received by everyone, charity in truth is a force that builds community” and “brings all people together without imposing barriers or limits” (34). This respect for the Other as a gift extends as well to the relationship between humanity and nature and contrasts with a notion of efficiency that is not value-free (48).

Thus, instead of extractive patterns of development, in which one group takes advantage of another, Benedict proposes, “the development of peoples depends, above all, on a recognition that the human race is a single family working together in true communion” (53). To achieve this model, we must deepen our understanding and appreciation of the relationships between people. On a practical level, instead of development aid, Benedict’s proposal challenges us to open the markets of the developed

world to the products of the developing world (58), for purchasing is always a moral act (66). On a spiritual level, he challenges us to deepen our understanding of the relationships between people and to take into account the spiritual and not only economic welfare of the whole human race (76). Both steps call us to replace unequal economic relationships built on dependency with authentically human relationships of mutual flourishing. The spiritual practices of the following section provide a concrete way to enact his challenging but necessary proposal. As this chapter has argued, social welfare depends on individual action.

### **V. Authentic Development as Mutual Growth in Vulnerability**

This final section proposes two spiritual practices that provide the necessary conditions for effective economic development. The chapter began with the traditional economic account of social welfare as aggregate individual welfare and argued that the structure of individual solidarity and group social capital provide a deeper measure of social welfare than this account. The insight of game theory about patterns of social interaction that enhance social capital motivated the subsequent section about associational life and small-scale development. The task of development came into focus: restructuring patterns of relationships in community. Benedict XVI and Barrera provided grounding to consider economic dimensions of these relationships as constitutive. In turn, Galleano and Acemoglu et. al. provided a vivid image of extractive relationships that perpetuate cycles of dependency.

With this descriptive groundwork, this section explicitly addresses the normative task. Building on the previous sections, which has highlighted the key role of individual

interpersonal relationships as determinants of social welfare, it proposes human development as depth in vulnerability and relationship, for both parties as equals. The consequences of individual relationships radiate outward in profound ways. Acemoglu showed how individual preferences of European settlers three hundred years ago contributed significantly to present global poverty. Benedict shows that present individual consumer preferences affect global trade. Thus, improving social welfare requires reshaping these interpersonal relationships. The practices that this section proposes aim to do just that: meditation on the Kingdom of God and the practice of Eucharist.

We provide a very brief account of how both practices function.<sup>37</sup> The previous chapter began with the importance of personal encounter for all of the thinkers of this thesis, secular and religious. Nussbaum and Barrera argue that this encounter takes place in narrative form: two individuals, perhaps in different social or economic situations, touch each other at particular instance of their own story. How each treats the other depends on their patterns of behavior, which are conditioned by their life experiences up until that point. Spohn proposes the “analogical imagination” as the means by which the reader of a parable bridges the reality of the text and the reality of their lives to allow the text to invite them to transform these patterns of behavior.

As a representative example of a parable about the Kingdom of God, Spohn examines the “classic New Testament collision” between “life as fairness versus life as

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<sup>37</sup> Spohn devotes *Go And Do Likewise* to a systematic account of the moral life that integrates Christian spirituality, Scripture, and ethics, which this thesis employs here. The method is not Christian but the content is. Other stories from other religious traditions could invite the practitioner to the same transformation or quite a different one. This thesis lacks the space to explore this possibility further.

grace” in the parable of the Workers in the Vineyard (Mt 20:1-16).<sup>38</sup> In the parable, we recall, a landowner goes out several times throughout the day to hire workers for his vineyard, but at the end of the day, pays each of them the same wage, regardless of how much of the day they have worked.

In Spohn’s view, the parable challenges the listener who sees God’s reign as a “ladder that rewards the ambitious climber.” We could include in this category those members of the developed world who feel as if they have earned the riches they possess. It cuts deeply at their notion of fairness that “people should get what they deserve” and prompts the question: doesn’t sharing what they have undercut their accomplishment? Rather than fairness, Jesus would like to highlight God’s generosity, to which Barrera referred earlier, for “our imaginations have to be retooled drastically to make sense out of a world of such cosmic generosity.”

The moral vision of this parable offers salvation to its privileged listeners as well. If they can recognize God’s generosity in their lives of others in their time of need, perhaps they can come to recognize God’s generosity in their own lives in their time of need. From a secular perspective, Nussbaum argues that the pursuit of the good life necessarily includes exposure to the vulnerability of relationships and the risk associated with action in this world.<sup>39</sup> This common human experience of vulnerability unites the members of the developing and developed world. In a Christian key, it lays the groundwork for an encounter in solidarity that invites both parties to grow in their agency.

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<sup>38</sup> Spohn, *Go and Do Likewise*, 103–6.

<sup>39</sup> Nussbaum uses the classical tradition to highlight similar themes that Spohn finds in the Christian tradition in Martha C Nussbaum, *The Fragility of Goodness Luck and Ethics in Greek Tragedy and Philosophy* (Cambridge, UK: Cambridge Univ. Press, 2011).

In the Christian tradition, the practice of the Eucharist encompasses both individual identity and communal formation. As Spohn points out, however, in the tradition systematic theologians have spent more time analyzing the nature of the transformation of the bread and wine than ethicists have spent exploring the implications of Eucharist as a practice.<sup>40</sup> Against a “therapeutic and consumerist culture,” he argues, Christians must fight the tendency to reduce the Eucharist to a mere technique but let it invite them to mercy both inside the community, in the form of forgiveness, and outside the community, in the form of solidarity with the poor.

Like Jesus’ parables of the Kingdom of God, these practices touch on the relational core at the heart of individual identity that this chapter on social welfare has examined in various ways. The Synoptic Gospels’ account of the Eucharist begins when Jesus chooses to identify with the hunger of his disciples, a hunger for a more just world to which the Passover Seder points. In turn, He invites them to a deep identification with his life and mission in the form of a covenantal meal, which He instructs them to celebrate in His memory. Moreover, in the Johannine account of the Eucharist, the moral exemplar Jesus performs a humble act of service by washing the feet of the disciples, including the feet of the one Judas who will betray him, before enjoining them to do the same. He demonstrates vulnerable service, unites his disciples in their experience of it, and calls them to serve one another and others in the same way.

The early Christian community understood Eucharist not as an individual religious practice but as a holistic and collective way of living that included economic dimensions. Moreover, as Paul’s letters testify, members of this community recognized

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<sup>40</sup> Spohn, *Go and Do Likewise*, 175–84.

and exercised a diversity of gifts as they grew in the life of faith. Thus we propose Eucharist as a second practice. Along with the parables of the Kingdom of God, it provides both a metric to evaluate social welfare and practice to strengthen it.

## **VI. Summary**

This chapter set out to examine five aspects of social welfare that complement the previous chapter's five aspects of individual welfare. Like that chapter, it employed resources from political philosophy and the development economics literature in dialogue with Catholic Social Teaching. The first section began by examining Amartya Sen's proceduralist approach to calculating social welfare, which though it pointed towards imagining oneself in the place of the other, does not value human relationships as an intrinsic part of flourishing. Next it considered CST's thick but abstract notion of the common good and Albino Barrera's attempt to concretize it into policy recommendations.

In the second section, both CST's treatment of solidarity and social science work on social capital indicated the intrinsic importance of human relationships, and the method of game theory provided an analytic tool to understand how the micro level affects the macro level. Moreover, in the third section, recent literature on small-scale development and the place of subsidiarity in CST revealed that these relationships flourish best in communities of a certain size. Having established the importance of these relationships, the fourth section turned to their characteristics. Work in Latin American dependency theory echoes concerns by Pope Benedict about situations of inequality and dependency, on local and global levels.

The final section proposed two symbols as resources from the Christian tradition. First Jesus' use of the Kingdom of God offers a way to reimagine these relationships, in a way that offers salvation not only for the underdeveloped but also for the developed, by revealing the gratuitous response of God to the universal experience of human vulnerability. Second, the Eucharist intensifies this experience of God's response to vulnerability, builds a community around it, and missions community members to practice it both inside and outside the community, in all areas of life, including economic ones. Thus both symbols offer a metric to judge the effectiveness of economic development projects and a practice to improve them.

One potential critique of these practices is that they would not resonate in a pluralistic context. This chapter concludes with two preliminary responses to this criticism. First, the final section proposes mutual growth in vulnerability as an important aspect of social welfare and these symbols as particular instantiations of this aspect. Additional symbols or stories from other religious traditions or even secular traditions like Nussbaum's use of the classical tradition could provide the same effect. Both the previous chapter and the present one employed both Christian and secular sources in each aspect in the hope to build an overlapping consensus, and this approach applies to the final section.

Second, Christian and Catholic symbols have exerted considerable moral influence in the history of international development since World War II. Christian thought influenced the drafting of the UN Charter on Human Rights. John Paul II's many international trips and public appearances solidified his role as a moral actor during and after the Cold War. More recently, the charismatic appeal of Francis both inside and

outside of Catholic circles illustrates the enduring power of these transformative symbols. We ought not prematurely rob them of their motivating power. The conclusion returns to the Chiapas context that motivated this thesis in the hope of demonstrating just that.

## Conclusion

This thesis proposed normative criteria for evaluating the impact of economic development programs. The introduction presented the situation of indigenous coffee growers in Chiapas, Mexico and three possible approaches to help them: conditional cash transfers, fair trade coffee, and value chain reform. Each approach addressed a different part of their reality, but no easy method allowed for the possibility of comparing their effectiveness.

The first chapter identified two structural features responsible for their poverty—their lack of control over land tenure and the international coffee market. Next, it demonstrated the lack of normative resources in the history of international development. Looking outside the discipline, it located resources in two other fields—capability theory from secular political philosophy and Catholic Social Teaching on international development. With these resources in hand, it specified the task of the thesis: develop normative criteria for evaluating international development projects.

The second chapter examined five aspects of individual welfare: human dignity, political rights, socio-economic rights, internal goods, and agency. Its exposition revealed their interrelatedness as it gradually touched on all areas of human life: external conditions like political and socio-economic rights as well as internal conditions like internal goods and agency. A unified theme ran through all of these aspects of individual welfare: the importance of personal encounter with another human being in his practical reason and sociability. As the final element of agency summarized, development requires the presence of all of the elements necessary for him to work out his own life in a social context. Nevertheless, the incomplete nature of the picture of human life presented by

these measures of individual welfare also came into focus. Individual welfare was only part of the story.

In response, the third chapter examined five aspects of social welfare. The first and second section considered methodological questions about measuring social welfare. They rejected aggregation of individual welfare measures in a social welfare measure in favor of a game theoretic analysis of the effect of individual interactions on social norms. The third section used these results to justify the importance of social structures that facilitate not anonymous but human interactions. Solidarity at the individual level grounds social capital at the societal level. Applying these results to the economic dimension of relationships, the fourth section specifies extractive and dependent social structures that do not contribute to development. In response, the fifth section proposes two resources from the Christian tradition that serve as norms and practices for social welfare: the Kingdom of God and the Eucharist. It argues that though these resources employ religious language they function as well in the sphere of public reason.

This conclusion will briefly return to the Chiapas context of the introduction in order to apply these aspects of individual and social welfare to the three approaches that it examined. A vast literature exists on all three approaches, and space prevents any more than a cursory analysis. Yet even the brief social analysis below proposes a qualitatively different approach than the economics literature that is grounded in theological reflection, an impact evaluation under the banner of the cross.

## Conditional Cash Transfers

Under the Progresa-Oportunidades program of the Mexican government, the first CCT program to be quantitatively evaluated and a model for similar programs in more than 20 countries around the world, recipients receive three related aids: nutritional supplements, cash payments for attending health checkups, and cash payments for sending their children to school.<sup>1</sup>

We first examine this program under the criteria of individual welfare. CCTs work by addressing multiple dimensions of poverty in a straightforward way by incentivizing in the short-term investments in human capital that will pay off in the long term.<sup>2</sup> The cash payments of Progresa-Oportunidades concretely guarantee socio-economic rights like education and health care. The effects of better nutrition, higher educational attainment, and improved health may also mitigate the particular internal heterogeneities that can prevent rural households from taking full advantage of their resources. Moreover, CCTs respect individual agency. Instead of a patchwork of in-kind social programs like food supplements, the freedom of conditional cash transfers trusts individual households to use the money for their own needs. They fall short, however, under the criteria of political rights. In the Mexican context, they enable a cycle of dependency on the government and do not deal with the corruption or violence that plagues many parts of the country.

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<sup>1</sup> An overview of the history of the implementation of the program and the major results can be found in this work by one of its authors: Santiago Levy, *Progress against Poverty: Sustaining Mexico's Progresa-Oportunidades Program* (Washington, DC: Brookings Institution Press, 2006).

<sup>2</sup> Laura B. Rawlings and Gloria M. Rubio, "Evaluating the Impact of Conditional Cash Transfer Programs," *The World Bank Research Observer* 20, no. 1 (Spring 2005) (March 1, 2005): 29–55.

Next we examine this program under the criteria of social welfare. If we measure aggregate individual welfare, it improves social welfare because of the exogenous infusion of capital in a particular region, but the anonymous way that it operates as a national program does not improve social capital or facilitate solidarity among the individual recipients of the program. Other Mexican government programs work differently. For example, under the DICONSA program, a village agricultural council can open a local store for food staples that receives government subsidies but retains local autonomy.<sup>3</sup> This program addresses one of the same needs of Progresa while also cultivating local social capital. Thus CCTs do not fare well under the metric of subsidiarity.

Nor do they address the issue of dependent relationships: either of the coffee growers in the developing world to the coffee buyers in the developed or the indigenous in rural Mexico to the Mexican government. Mission employees in Chiapas report that on the day the cash payments arrive, the recipients come to the country seat to withdraw the money and vendors of all sorts line the street. Within hours, the months' payment is spent in the town square, with the mission church as the backdrop. Laden with goods, the indigenous disappear until the same day the following month. This image resembles far more the encounter of Jesus with the moneylenders in the Temple than any parable of the Kingdom of God that is proclaimed or the Eucharist that is celebrated in that same Church.

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<sup>3</sup> Jonathan Fox, *Accountability Politics: Power and Voice in Rural Mexico* (New York: Oxford Univ. Press, 2007).

## **Fair Trade**

Under the regime of fair trade, coffee processing companies in the developed world voluntarily pay a higher-than-market price for their coffee, the “fair trade premium.” In order to participate in fair trade, coffee cooperatives must pass certification around labor practices and environmental standards. This “fair trade premium” remains within the local community and often goes towards community development projects.<sup>4</sup>

We first examine fair trade using the criteria of individual welfare. In terms of human dignity, fair trade represents an improvement over non-fair trade because the single origin coffee comes from one community and the coffee usually gives the name and possibly the story of the community. A consumer in the developed world can read about the coffee farmer in the developing world on a website or a product package. The “fair trade premium” might fund projects in the local community that support political or socio-economic rights, such as voter registration, education, or health care, and then projects might in turn affect internal goods. The tremendous variety of fair trade projects makes it difficult to generalize. Moreover, fair trade projects do not really allow coffee farmers to increase their agency, however, as they do not provide them with other economic opportunities than growing coffee.

Next we turn to social welfare. If we consider social welfare as purely the aggregate of individual welfare, then fair trade might not improve social welfare. Literature on fair trade has suggested that coffee farmers might not receive more income because the “fair trade premium” absorbs additional costs of certification. In communities

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<sup>4</sup> Raluca E. Dragusanu, Daniele Giovannucci, and Nathan Nunn, “The Economics of Fair Trade,” Working Paper (National Bureau of Economic Research, July 2014), <https://doi.org/10.3386/w20357>.

with fair trade and non-fair trade coffee producers, the benefits of programs funded by fair trade premiums could spill over to non-fair trade producers in the same communities.

If we examine social welfare instead in terms of solidarity and social capital, we can argue that cooperatives offer a promising way for the coffee farmers in a region to develop the capacity to trust one another as they share knowledge about coffee production techniques and market their coffee together. Worker cooperatives of a different form in industrial Europe motivated CST on solidarity, and a century later these coffee cooperatives provide examples of the sort of associational life that strengthens social capital. Moreover, if coffee farmers also hold leadership roles in these organizations and members from different cooperatives gather to share best practices and form regional or national coffee associations, then these meetings could serve as examples of small-scale development. The fair trade movement split in 2012, however; one faction allows industrial-scale producers to join, while the other does not.<sup>5</sup> This thesis would argue that smaller cooperatives facilitate social welfare better.

Still, coffee cooperatives do not address the issue of dependent relationships or extractive patterns of development. In all fair trade systems, coffee farmers in the developing world sell green coffee beans, the raw material and not the finished product, at a price that they do not control. What about the final criteria of the Kingdom of God and Eucharist? The fair trade movement began as a religious movement, and religious organizations from the developing world developed local relationships with coffee producers to help them adopt fair trade certification and market their products. To the

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<sup>5</sup> Fairtrade Labelling Organizations International (FLO) favors small producers, while Fair Trade USA would like to include large producers as well. The previously cited Dragusanu et. al 2014 article provides the complete story.

extent that groups from the developing world maintain close relationships with their local partners, these relationships can facilitate encounters of solidarity like meditating on the Kingdom. Jesus' comments in the gospels suggest an even deeper question: if coffee growers from the developing world ever visit the coffee shops in the developed world where their coffee is consumed and have their patrons serve them. The reversal of roles and image of service would truly incarnate the Eucharist, both in the meal of the Last Supper and the washing of the feet.

### **Value Chain Reform**

The coffee cooperative Ts'umbal Xitalha', which is sponsored by the Jesuit mission of Bachajón, offers membership to any local coffee grower who agrees to sell exclusively to the cooperative and adopt organic farming practices within three years. It accompanies its members throughout the growing season with quality assurance and technical expertise and buys their entire coffee harvest at the end of the season for a per-kilo price set by the cooperative board. At the end of each year, the surplus income of the cooperative goes into a community bank that gives low-interest loans to cooperative members using their coffee harvest as collateral.

We first examine the coffee cooperative in terms of individual welfare. Since 1958, the Jesuit mission has played an important role in mounting various projects, each at the initiative of local peoples. In 1992, it spun off an associated NGO, CEDIAC (Centro de Derechos Indigenas). At present, CEDIAC is mounting a voter registration drive among the indigenous in advance of the upcoming local, state, and federal elections on July 1, 2018. The mission sponsors a variety of workshops (talleres) about educational,

health, and other topics at its training center (colegio). Another ongoing initiative is consolidating and evaluating the many programs that work with indigenous women. Thus, considered along with the other 27 programs of the mission, the coffee cooperative improves individual welfare across the metrics of political rights, socio-economic rights, and internal goods.

Crucially, the programs of the Jesuit mission increase agency in a way that fair trade and CCTs do not. The Jesuits arrived in 1958 at the invitation of the indigenous, and each program has started at the suggestion of the indigenous in response to their present needs: an indigenous deacon program, a coffee cooperative, or a community bank. The mission's organizational chart shows that at each level mestizos (non-indigenous) and indigenous share oversight responsibility. Recently, some indigenous have left the community for university training so they can return and start their own projects.

Next, we examine the coffee cooperative in terms of social welfare, aided by a recent quantitative study of 600 Tseltal families that includes both cooperative members and non-members.<sup>6</sup> As one caveat to the naive metric of social welfare as aggregate individual welfare, we note that preliminary results from this study indicate that the coffee cooperative does not meet its stated objective of increasing the per-kilo price that members receive for their coffee. One possible reason comes from differences in market structure between the cooperative and the local coffee buyers. The cooperative board sets a per-kilo price for green coffee beans once a year for the entire seven-county region. In contrast, local coffee buyers charge a price that varies by season and distance from a

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<sup>6</sup> Stephen Pitts, "Impact of Cooperative Membership on Members' Household Economies: The Case of Chiapas Coffee Farmers" (University of San Francisco, 2018).

population center. Thus, selling to the cooperative does not always represent an economic gain for the coffee producer, depending on the time of the year and his location.

Nevertheless, the mission offers a guaranteed market; results from that same study indicate an increase of 20% in the amount of the coffee harvest that members can sell compared to non-members. This increase is reflected in an increase in coffee sales per hectare cultivated, but not in other aspects of income: coffee sales, agricultural, non-agricultural, or overall income. The lack of increase may come as a result of different preferences of the coffee farmers. Instead of more income, they value guaranteed income.

The Chiapas context contains an unusually high amount of natural social capital. The study proposes that individuals align themselves with one of three sources: the Mexican government, grassroots organizations like the Zapatistas, or the Jesuit mission. Cooperative participation is positively correlated with participation in other popular movements or mission programs and negatively correlated with political activism and the presence of a DICONSA store above in the respondent's village. Moreover, the one measure of income that declines as a result of cooperative participation is recipient of benefits from Progres-Oportunidades above, even though the one does not preclude the other. Thus, like religious organizations in other contexts, the cooperative enhances the effect of the stock of social capital that the Jesuit mission has cultivated.<sup>7</sup>

Like the fair trade cooperative above, this cooperative also enhances social welfare through the principle of subsidiarity, since the cooperative works as an association. Following indigenous governance practice, most decisions are made by

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<sup>7</sup> John Coleman, "Religious Social Capital: Its Nature, Social Location, and Limits," in *Religion as Social Capital: Producing the Common Good*, ed. Corwin Smidt (Waco, TX: Baylor University Press, 2003), 33–47.

consensus in monthly council meetings or yearly assemblies that call to mind the Athenian *polis*. In addition, unlike the other two interventions this thesis considers, it directly addresses both of the structural issues that contribute to the poverty of the Tseltal coffee growers. First, it is the only example of a coffee cooperative in Chiapas that locally produces roasted, packaged coffee, a finished product for export. Second, it continues to advocate for the land rights of the local people. Work by Catholic organizations in local communities contributed to the 1994 Zapatista uprising.<sup>8</sup> Thus, it offers an alternative to the extractive, dependent relationships that characterize much of the international coffee value chain.

At the 15-year anniversary of the coffee cooperative, more work remains, especially involving the conflict between the continual desire for profit and expansion of the market economy that provides the customer base for the cooperative and the indigenous preference for social harmony. The constant flow of visitors and volunteers from within and outside Mexico testify to the transforming power of short visits and long-term stays. Also, the small size of the cooperative, the source of its power and the reason that it has escaped notice from the multinationals that control the Chiapas coffee market, poses disadvantages as well. It suffers from the precarious social fabric that has grown even more fragile in the lead-up to the elections. Yet Jesus beckons as well: the Kingdom of God is breaking in, even here, if only you would see it.

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<sup>8</sup> Sarah Washbrook, “The Chiapas Uprising of 1994: Historical Antecedents and Political Consequences,” in *Rural Chiapas Ten Years after the Zapatista Uprising*, *The Journal of Peasant Studies* (London, UK: Routledge, 2007), 2–33.

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