

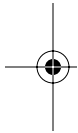
PREFACE

This book addresses issues of economic policy, not only from a Christian perspective but also from the perspective of its authors—two mainstream economists who are also Christians. While several currently available books approach economic issues from a Christian perspective, most are unconcerned with basic notions of economic theory. Often written by noneconomists, such books consider no framework for thought beyond a particular Christian perspective. Economic theory does not inform their writing. As a result, their authors often make radical recommendations for policy based on their particular viewpoints. Unfortunately, due to their failure to consider economic theory and evidence, their policy recommendations are sometimes dramatically inconsistent with the essential, orthodox principles of economics.

We hope that this book will be of use to anyone who would like to know more about how economics can inform the views of Christians on major economic issues. Any Christian interested in thinking about issues of economic policy should learn at least a bit of economics along the way. This does not mean that our book contains dozens of supply-demand diagrams. The book does, however, provide the interested reader with a clear presentation of the principles fundamental to economic analysis of any issue or problem.

Therefore, we do the following:

1. Distill the basic facts of each economic issue considered. We include diagrammatic illustrations wherever possible. For example, we illustrate our macro chapters with graphs of unemployment and inflation rates. We also illustrate our chapter on the environment with figures showing recent environmental trends. We want our readers to have a very clear view of each issue considered, since it is easy to be misled by those who unfairly minimize or overdramatize such problems.
2. Explain the mainstream views in economics of the nature of each problem and its corresponding policy prescription.





3. Critically evaluate, from a Christian perspective, the views and recommendations of mainstream economists on each issue. Whenever possible, we use Scripture to inform our evaluation, meaningfully and faithfully. We also challenge our readers to apply the conclusions in the pursuit of their individual callings and vocations.

Our guiding conviction is that Christians who are serious about problems like environmental damage, unemployment and poverty cannot afford to ignore the achievements that economists are making with these issues. Mainstream economics helps Christians understand economic problems and respond as good stewards of God's creation. Moreover, Christian economists like us can serve as guides for Christians who are wary of the policy recommendations of mainstream economists. Hence, we have tried to write a book that is accessible to anyone, faithful to Christian teaching and responsible to our academic discipline.

The opening chapter alerts readers to the approach we take throughout the book, as we make connections between economics—theory, policy and life choices—and living out the Christian faith. A just and prosperous society depends for its continued success on maintaining the right balance of power and responsibility among three principle spheres: democratic governments, market-organized economies, and strong moral and cultural institutions. Thus the guidance we offer for addressing economic problems flows from identifying points at which markets, governments and institutions (like churches) are especially apt to make a difference for good or ill. We articulate a set of Christian principles and values needed to undergird economic and social action in order to produce a just and prosperous society anywhere in the world.

Chapter two describes how markets function in societies like ours. Unique to our book is clear exposition—using familiar examples, without graphs—to build a case for consumers, workers and producers exercising Christian values in all sorts of markets. We show that markets neither require selfishness nor cause materialism. Instead, they offer unique opportunities for Christians to apply their talents and values in ways that benefit people around the world, while also caring for their own families and communities. Furthermore, we illustrate how the perpetual change that characterizes markets need not threaten our values or livelihoods.

In the first two chapters, we make the case that the role of government should be a limited one. Nevertheless, there is a proper role for government in the economy. We need government. Chapter three considers, from both



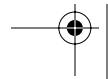
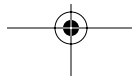
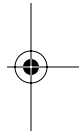


Christian and economic perspectives, the ways in which government can help to improve on the outcomes we would observe if unbridled market interaction were the only available avenue for the provision of goods and services in a society. We provide a careful discussion of cost-benefit analysis: how the proposed benefits of any project must be weighed against the alternative possible uses of the resources that are consumed in pursuit of the project.

In three of the four Gospel accounts Christ teaches us how to respond to the authority of government; we are to give to Caesar what belongs to him, and give to God what belongs to him. But what exactly belongs to Caesar has varied widely across time and place. Even in the United States, the tax burden of the average American has risen from about 10 percent of his or her salary to over 30 percent during the last seventy years. In fact, many economists have compared the government to the Old Testament Leviathan—an insatiable serpent. We use chapter four to consider the ways government may exercise good stewardship in tax-policy design. We also discuss whether the biblical injunction to tithe is affected, now that government performs so many of the tasks traditionally undertaken by the early church (caring for the poor and sick, etc.).

Many environmentalists hate Christianity. In a 1967 article published in *Science*, Lynn White stated, “By destroying pagan animism, Christianity made it possible to exploit nature. . . . [W]e shall continue to have a worsening ecologic crisis until we reject the Christian axiom that nature has no reason for existence save to serve man.” In chapter five we dismiss White’s claim that God’s plan for the relationship of humans to nature necessarily leads to environmental degradation. Instead, we assert that Christians, called to be good stewards of all of God’s creation, must exercise caution and wisdom in the pursuit of environmental goals. Further, we show that modern economics has much to say about responsible care for and cleanup of the environment.

In chapter six we consider the ways our federal government can influence our macroeconomy—our overall national economy and its interactions with the still-larger global economy. Unemployment rates, inflation rates and national income: these are all macroeconomic issues because we do not normally evaluate them at the local level. Instead, we account for them at the larger, national level. We consider four variables and measures that policymakers have used—both officially and unofficially—as goals of macroeconomic policy: (1) the growth of national income per capita, (2) unemployment rates, (3) inflation rates and (4) stock market values. We include several diagrams, reflecting





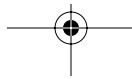
where the economy has been, is now and may be headed in the future. We also discuss the limits of each of these as measures of overall societal well-being.

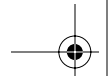
In chapter seven we summarize the current state of macroeconomic knowledge today. In particular we discuss the ways the discipline has evolved since the Keynesian economic revolution of the 1930s. Macroeconomic understanding since Keynes has evolved in such a way that Keynes's prescriptions for active policy have become less and less credible. Instead, it appears that a steady, deliberate, less reactive approach to economic policy may lead to the best, overall, long-term path for the economy. Attempts to use *discretionary* monetary or fiscal policy actions to stabilize the economy may, instead, be destabilizing—and even deceitful. Indeed, Adam Smith's invisible hand may be just as powerful in the macroeconomic realm as in individual markets for particular goods and services.

Chapter eight addresses seductive myths about globalization that plague many popular discussions regarding the moral aspects of trade. We start with a case that pits well-meaning Californians, concerned for the environment, against poor Montanans, planning to commercialize new oil fields. Similarly, well-meaning but misguided Westerners often insist on trade restrictions to “protect” poor foreigners from being exploited in world trade. From there, we consider the changes needed for Third World countries to grow their economies and thereby reduce poverty. Finally, we discuss ways that Christians—as individuals, churches and members of secular organizations—can work alongside Third World people to reduce barriers to higher living standards. We continue to urge intellectual and spiritual discipline in the practice of “reasoned hope”—a virtue identified in earlier chapters—which requires long-term commitments and strong faith in God's active involvement.

In chapter nine we present a biblical and theological basis for the Christian conviction that work is meant to be both a blessing and a means by which God's gifts to each person are “called out” to meet their own needs and those of the wider community. Labor markets serve as effective channels through which this happens. We use examples that illustrate how earnings differences among persons, across professions and over time reflect decisions people make about training, job risk, location, responsibility and so on. We emphasize that such decisions involve much more than monetary rewards.

Chapter ten undertakes a special challenge by investigating whether current income gaps ought to concern Christians. Is it only absolute poverty that Christians are called to mitigate, or must they also decry the high pay top ex-





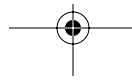
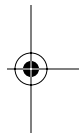
ecutives receive? What is the nature of male-female wage gaps and black-white income gaps? To the extent that persistent gaps result from a mixture of personal choices (about education, family, etc.), the regulatory environment and changing markets, what can be done to ensure more equal opportunity? Is it possible for governments to take actions in this regard without unduly interfering with the ability of competitive markets to produce widespread abundance, and while preserving the freedom of choice markets afford?

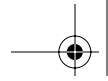
Since the time of Adam Smith, and especially over the past two decades, a strong case has been made for the importance of moral values and institutions to every country's economic success. Obviously, where moral values are relatively widespread and influence most members of society (even those who are not associated with any religious tradition), the benefits to society are tremendous. They include the greater likelihood that employees will put an effort into all their tasks, even when supervisors are not likely to monitor them; that companies will more often serve customers than cheat them; and that citizens will buy more things than they steal and pay taxes rather than hiding their lights and incomes under bushels. In chapter eleven we discuss the means by which societies can invest in building more social capital as well as roles played by churches in this endeavor.

To close the book with something very practical, we present "Nine Big Ideas from Economics That Can Help You Be a Good Steward Every Day," culled from lessons presented throughout the book. This brief section serves as a reminder that we can all honor God while practicing good economics.

There is a crucial need for conversation about economic policy in which moral concerns are introduced along with sound economic analysis, whether the ethics arise from religious or secular perspectives. Indeed, the authors' development of the subject is open to application and adaptation by non-Christian and secular individuals and groups. For example, Muslim and Jewish scriptures also give prominence to caring for the poor and strangers. Furthermore, commitments to such values as honesty, dedication to community well-being, and work—all key to the quality of life and material abundance in any economy—spread beyond the boundaries of traditional religions. Although the reference point for much of this book's discussion is explicitly Christian, the authors hope to inform non-Christian readers and to inspire other economists to show the many useful connections between economic policy and moral values emphasized in other religious and secular traditions.

To aid in the clarification of the book's presentation, we enlisted the help





of our students at Hope College as readers and critics of the completed chapters. Our readers have included students who have taken no economics, some who are majoring in economics and others who lie in between. This strategy has provided useful feedback from students who differ widely in their exposure to the study of economics.

We are thankful for the help and support of our friends, families and colleagues as the project progressed. It was a delight to work with the experts at InterVarsity Press, including Gary Deddo, Elaina Whittenhall, Taryn Bullis, Jeff Crosby and Ruth Curphey. At American University Armenia, Anna Hakobyan, Varduhi Hyusisyan, Armen Petrosyan, Astghik Melikyan, Edouard Antonian, Lilit Vardanyan and Lucig Danielian provided pivotal assistance during Claar's Fulbright year there. We appreciate Julia Hollenberg, at Hope College, for her help with editing. Careful and extensive comments from reviewers Tom Head at George Fox University and Stephen L. S. Smith at Gordon College improved the final product. We especially thank Rowene Beals for her patient reading and editing of the initial manuscript. She was our perfect "interested reader," as we tested out ideas and honed themes for greater clarity and impact. In addition, Rowene fielded pieces of data coming at her from at least three directions with accuracy and grace. We could not have done this project without her support and encouragement throughout the three years in its making.

