

Thinking Biblically About Economics

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[0 : 00] So, what do you think of when you hear the word economics? I would imagine that most of you think of inflation, especially today. A few years ago, you might have thought of unemployment.

Some other terms might be buying, selling, saving, investing, among other things. And yes, all these things fall underneath the umbrella of economics. But what I want to do today is take a 30,000-foot look at economics and to think about what does the Bible say about this subject.

So, I want to start with just defining what is economics. And it stems from two facts about the world that we live in. Fact number one is that our wants and needs are unlimited.

Some of the needs that we possess, food, shelter, clothing, health care. But we also have wants. We want new plants for our garden. We might like to go out to eat.

We might go on a new car or go on a vacation. When I teach this to my students, I ask them to take out a piece of paper and to write down their wish list. And they usually have no problem filling out that piece of paper.

[1 : 12] And I would imagine that if we're honest with ourselves, we would have no problem filling out that piece of paper as well. So, that's the first fact that our wants are unlimited. The second fact is that the resources that God has given us are scarce or limited.

And so, you can see that we have this problem that our wants are unlimited, but the resources that we can use to produce goods and services to satisfy our wants are limited in supply.

Another way of thinking about this is that if we had more workers, more land, more capital, we would be better able to satisfy the wants and needs that man desires.

Another important point to note is that the resources have alternative uses. So, for instance, let's say I own a plot of land.

I could use that land for agriculture or I could use that land for a coffee shop. Or consider your labor.

[2 : 18] You could work in construction, farming, accounting, or any number of occupations. So, the definition of economics that I like is that economics is the study of the use of scarce resources which have alternative uses.

That is the way God created the world. This would be a much simpler problem if God created the world in such a way that a resource had only one particular use.

So, if we could identify this plot of land and know that it should be used for agriculture and that this worker over here should be a teacher, this would be a much simpler problem to solve.

And I doubt that there would even be a subject called economics. But the world we live in is incredibly complex where resources can be used in different ways.

So, every society is confronted with this economic problem where it is not able to produce enough goods and services to satisfy man's wants and needs.

[3 : 21] And so, every society must decide what should be produced with these scarce resources. How much food? How much should go to education?

How large should our army be? And if we use a resource in the army, then that means we're going to have less food and less education. This is a really important question to think about because we want to have the right mix of goods and services.

And then a second question that every society must grapple with is how to produce the goods and services. This is important because in a world of scarce resources, we don't want to waste resources.

We don't want to use more resources than what is needed to produce a good or service. And the third question that every society must grapple with is who gets to consume what has been produced because we're not going to be able to produce enough to satisfy everyone's wants and needs.

And so, there has to be some way of deciding who gets to consume what has been produced. Now, traditionally, there have been two approaches that societies have used in grappling with these questions.

[4 : 36] One approach is what I call the top-down approach, and that is where resources are controlled by government. And the government decides the answer to all these questions.

And then the other approach is what I call the bottom-up approach, and that is where the resources are controlled by you and me. And it is our decisions with what to do with these resources that answers the questions, what is produced, and how are goods and services produced, and who gets to consume what has been produced.

The key difference between these two approaches is who controls the resources. Either the government controls the resources or you and I control the resources.

And so, what I've described to you is the economic problem. And what I want to do now is to think about what does the Bible say about this economic problem? I want to think with you which of these systems, the bottom-up approach or the top-down approach, is most consistent with a biblical worldview.

And I think in developing a Christian worldview with respect to economics, it involves thinking about what does the Bible say about man's relationship with the resources that he has given us.

[5 : 54] And I think there's two things to focus on here. One, who is man according to the Bible? And two, what does the Bible say about man's relationship to these resources?

And so, the first question, who is man? And I think the most important characteristic of man is that we are created in the image of God.

In Genesis 1, 26, it says, And God said, Let us make man in our image, after our likeness. And then in verse 27, it says, So God created mankind in his own image.

In the image of God, he created them. So what does it mean that we are created in the image of God? Well, we look to Scripture, and we see, How does the Bible describe God?

And then we consider, In what ways do we reflect that characteristic? And I'm sure that there are many, many different ways in which we reflect God's image.

[6 : 53] But what I'm going to do is, I'm just going to draw out some of the relevant characteristics that are related to economics. So first, God thinks and acts with purpose.

Isaiah 55, 8 says, My thoughts are not your thoughts, and my ways are not your ways. So God thinks. And then in Isaiah 1, God is speaking through Isaiah to the Israelites, and in verse 18, he says, Come now, let us reason together.

And in Job 42, 2, Job says to God, I know you can do all things, and that no plan of yours can be thwarted.

So God has plans that he carries out, and he does so perfectly. And so we reflect God's image when we reason, and we come up with plans, and act with purpose.

Now how this is related to economics is that we can use our reason and come up with plans to act with purpose in this world. And one way I have seen this described before is that man faces obstacles.

[8 : 04] And we use our reason and come up with a plan in how to overcome those obstacles. So for instance, I live in Mishawaka, and I want to attend church at Grace Fellowship Church, which is in Bremen.

And the obstacle that I face is distance. Man, through his creativity, and with the resources that God has provided, has built roads and automobiles that helps me to overcome this obstacle called distance.

And we're constantly identifying these obstacles. hunger, disease, discomfort, boredom. And we're coming up with ways to overcome them using reason.

And I think this is one reason we can say that man's wants and needs are unlimited, because we're constantly identifying these new obstacles to overcome. And then a second point that is closely related to the first is that God is creative.

God spoke things into existence. It tells us in Genesis 1, verse 1, that in the beginning, God created the heavens and the earth. He created the heavens and the earth out of nothing.

[9 : 20] He just spoke it into existence. And we look around us, and we see the creativity of God in the variety of plants and animals and the landscape.

We see God's creativity everywhere. Likewise, when we use the resources that God has given us and transform them into something of value, like an automobile or a road, we are in some sense reflecting the creativity of God.

And I think an implication that we reflect God's image in our creativity is that man must be free. If man is controlled by another human being or government, then this is going to stifle man's ability to be creative.

So in the economic realm, when man is free to decide how best to use God's resources, man can exercise his or her creativity and in some sense reflect God's image.

And then a fourth way in which we reflect the image of God is when we work. Genesis 1 describes God as working when he created the world. And in the Ten Commandments we are told to keep the Sabbath day holy and to rest from our work just as God created the world in six days and then rested from his work on the seventh.

[10 : 46] And so we are reflecting God's image when we work. It can also be argued that God created us to work. So in Genesis 2.15, it says, the Lord God took man, put him in the Garden of Eden to work it and take care of it.

An important point to note about this is that God's command to work was before the fall. Work is not something that we have to do because of sin.

Sin has made work more difficult for sure. But work was something that God gave a sinless Adam and Eve to do. And I have found from my own experiences that when I'm productive, when I'm working, that this is when I feel best about myself.

And one thing that I find interesting is that there's a whole field of study that tries to explain what contributes to human happiness. Arthur Brooks is a scholar in this field and one of the factors that he identifies that most contributes to human happiness is work.

And what he calls it is earned success. And what he means by this is that when we create value for ourselves or for others, and this often is through work, this is what makes us happy.

[12 : 11] And as a Christian, I do not find this surprising at all, that when we are doing the things that reflect God's image, it would lead to a happy, flourishing life. And then the last point that I want to make about man's nature, and this is unrelated to man reflecting the image of God, is that man is sinful.

We can use God's resources in evil ways. We can rearrange the resources to produce things that are sinful or evil. So for instance, resources are used to produce pornography or illegal drugs.

and similarly, we can waste resources or we can overuse the resources that God has given us. It's possible that we could cut down too many trees without replenishing them, for example.

So a Christian worldview of economics must therefore evaluate what man is producing and how the goods or services are being produced. And then I think another point that needs to be made related to man's sinfulness is that there is no perfect economic system.

All economic systems are going to fall short. There is no utopia. There is no salvation through economics. So that is who man is.

[13 : 28] And now what I want to do is talk about what does the Bible say about man's relationship to the resources that he has given us. And let me preface this section by noting that economics is about the material world.

It's about how we manage resources. It's about how we transform those resources into output. And so therefore, I think it's important to think about what does the Bible say about the material world.

And so first, God is sovereign over all the earth. in Psalm 24, and it is his. In Psalm 24, 1, it says, the earth is the Lord's and everything in it, the world and all who live in it.

For he founded it on the seas and established it on the waters. So it is God who gave us these resources and he is the ultimate owner of these resources. Second, God's creation is good.

good. In Genesis 1, after each day in the creation narrative, it ends with the phrase, and God saw that it was good. And then in Genesis 1, 31, it says that God saw all that he had made and it was very good.

[14 : 50] And so the material world is good. And then third, God, creation reflects his glory. glory. So Psalm 19, 1, says the heavens declare the glory of God.

The skies proclaim the work of his hand. And in Romans 1, 20, it says, for since the creation of the world, God's invisible qualities, his eternal power and divine nature have been clearly seen, being understood from what has been made so that people are without excuse.

And so this material world is a testimony to God revealing to us his eternal power and his divine nature. Fourth, God created the world for man to enjoy.

In Psalm 103, David is talking to his soul about why he should praise the Lord. And he says, Bless the Lord, O my soul, who forgives my sins.

He heals my diseases. He redeems my life from the pit, crowns his head with love and compassion. But then in verse 5, David says, Blessed Lord, because he satisfies my desires with good things.

[16 : 07] I think that speaks to that God wants us to enjoy this world. And then in the next chapter, Psalm 104, verses 14 and 15, it says, He makes grass grow for the cattle, plants for man to cultivate, bringing forth food from the earth.

And this is the part that I want to emphasize. He gives us wine that gladdens the heart of man, oil to make our faces shine, and bread that sustains us.

He didn't have to give us a drink that gladdens our heart or oil to make our faces shine. He could have given us manna every day for our food.

but instead, he gives us a wide variety of foods to enjoy. Not only that, he gives us colors, aromas, the warmth of the sun, the seasons, a beautiful sunset, or a full moon.

So yes, all of God's creation testifies to the glory of God, but is this not something for man to enjoy? I think so. Now, it must be said that the Bible is full of warnings against making idols of created things.

[17 : 25] So in Paul's letter to Romans, he tells them that the wrath of God is being revealed. And that one of the reasons is stated in Romans 12:5, because people worshipped and served created things rather than the creator.

Similarly, in the Sermon on the Mount, in Matthew 6, 24, Jesus says, no one can serve two masters. Either you will love the one, or I'm sorry, either you will hate the one and love the other, or you will be devoted to the one and despise the other.

You cannot serve both God and money. So it's not possible for us to have our hearts set on the created things and at the same time to have our hearts set on God. And I think a good way to summarize what the Bible says about the material world is found in 1 Timothy 6, 17, which says, command those who are rich in the present world not to be arrogant nor to put their hope in wealth, which is so uncertain.

So we shouldn't set our hearts on created things, but rather put their hope in God. That's where our heart should be. But what's interesting in 1 Timothy 6, 17 is how this verse ends.

It says that God, who richly provides us with everything for our enjoyment. And so, the material world is owned by God. It is good.

[18 : 49] It reflects His glory. And it is for man to enjoy. And so I think the Christians that see the material world as a reflection of God's glory, and when we enjoy something, it should turn our hearts to God with thanksgiving.

Now, the next point that I want to make about what the Bible says about man's relationship to resources is found in Genesis 1, 28, where God says, Be fruitful and multiply, fill the earth and subdue it.

Have dominion over the fish of the sea, over the birds of the air, and over every living thing that moves on the earth. The point that I want to make here is that God tells man to subdue the earth.

So Wayne Grudem notes that the Hebrew word translated as subdue is *kibesh*, and this means to make the earth useful for human beings' benefit and enjoyment.

So what follows from what we are saying is, number one, if God is the owner of the earth, and he is telling man to subdue the earth, then what follows from this is that God is giving man stewardship over the earth.

[20 : 05] Now, think about this. If you owned something and you hired a manager to steward your resources, how would you want them to do it? You would want them to steward your resources wisely and productively, not wastefully.

And we see this in the parable of the talents, where the master praises the servant who multiplied the talents and then condemned the servant who just buried the talent and preserved it.

So likewise, as stewards of God's resources, we want to make the most of the resources that God has given us. And Wayne Grudem notes that this idea of stewardship applies to much more than merely physical possessions.

God has entrusted us with time, talents, opportunities, and we're accountable to God for how we use these things. So in 1 Corinthians 4.2, Paul writes, it is required of stewards that they be found faithful.

Now, at the beginning of Sunday School, I talked about these two approaches to managing scarce resources, the top-down versus the bottom-up approach. And I'd like to consider with you which of these approaches enables man to be a better steward of the resources that God has given us.

[21 : 23] The bottom-up approach relies on a system of property rights. If property rights are secure, we don't have to worry about others, our fellow man, or government encroaching on our property.

And one of the scriptures that indirectly addresses the concept of private property is the Eighth Commandment, which says, thou shall not steal. This commandment presupposes property rights.

So if I steal something from my neighbor, my neighbor must have had a property right to that possession. Now, the Ten Commandments is the moral law of God.

And Wayne Grudem makes the interesting point that one of the Ten Commandments is about how man should relate to property. namely, man should not steal the private property of his fellow man.

Now, a benefit of having private property is that it gives man an incentive to be a good steward over that property. So I own a home.

[22 : 31] And in the summer, you will often find me in my backyard pulling up weeds. When I first moved here, I lived in an apartment complex. And I don't ever remember pulling up weeds in front of the apartment complex.

And I think that what this illustrates is that when we own a resource, we have an incentive to develop and to conserve and to protect that resource.

In the top-down system, where government controls the resource, this incentive is absent. And this is a primary reason why top-down economies do not perform as well as bottom-up economies.

And the last point that I want to talk about today is a couple features of the bottom-up approach that I think reflect God's glory and God's wisdom and how he created the world.

I want you to think with me for a minute about what this means that resources are controlled by you and me. It means that no one is in control.

[23 : 39] As a society, we need food, clothing, shelter, health care. But there is no one overseeing this process to make sure that these goods and services are being provided.

What gets produced in the bottom-up approach is entirely dependent on the decisions that you and I make. So, if I own a plot of land and I open a coffee store, coffee will be produced.

And if you own a plot of land and you grow corn, then corn will be produced. But there is nobody in charge to make sure that the right mix of goods and services is being produced.

furthermore, consider that the resources are controlled by sinful, depraved human beings whose every inclination of the thought of their human heart is only evil all the time.

That's Genesis 6-5. What is the likely outcome of this approach? It seems to me that it would result in mass chaos, conflict, seems to me that this would be a recipe for a failed society.

[24 : 56] But in fact, the opposite happens. Societies that have relied on this bottom-up approach are characterized by a remarkable amount of order.

And one way to see this is to consider the question, how do the 8 million people in New York City get fed? There is no czar.

There is no government bureaucracy that is ensuring that enough resources are dedicated to feeding the 8 million people that live in New York City. What's more, the vast majority of the 8 million people go to bed at night peacefully.

They don't even think about the question, will there be food tomorrow? How does this happen? Well, it is a bottom-up approach where individuals have decided by their own choice to work in farming, food manufacturing, grocery stores, restaurants, and it is through their actions that provides the food to New York City.

So this is true not only for food but for housing and for all the other things that we need in our society. And so what we see is that order emerges out of this process.

[26 : 19] One way economists have described this is that it's the order that we see is the result of human action but not human design. And then another aspect of this bottom-up approach that I think that is often taken for granted is the amount of coordination that must take place to produce the goods and services that we consume every day.

And again, consider that it is sinful human beings that control these resources. In order for us to enjoy the goods and services that we consume every day, these resource owners have to work together in order to produce the goods and services that we enjoy.

So to illustrate this concept, consider what must take place for you to drink a cup of coffee as I did this morning. First, the coffee was most likely produced in Brazil, Colombia, or Vietnam.

Someone had to pick the coffee beans from the coffee plant and then to remove the flesh of the coffee bean. The coffee beans are then dried and then they're loaded onto a 20 by 40 shipping container and then shipped to the United States.

After that, the coffee is transported by truck to a company that roasts the coffee. The coffee beans are then placed in a roasting machine which itself required an immense amount of coordination from many resource owners just to make the machine.

[28 : 00] After the beans are roasted, then the beans need to be ground. And many people say that this is the most important part of making a good cup of coffee because if the grind, if the coffee grounds are not perfect, your coffee will not taste any good.

And one of the companies that makes these grinding burrs has over 100 different suppliers just to make the grinding burr. Again, an immense amount of coordination.

After that, the coffee needs to be put into a machine that produces the cup of coffee. And again, another example of coordination that would have had to have occurred.

I would imagine that for you and I to enjoy that cup of coffee that there were probably thousands of workers across the globe that had to be working and to coordinate their activities together in order for us to enjoy that cup of coffee.

And there's a couple of things that I think are worth pointing out about this coordination. First, when you think about all that is involved in getting coffee from the plant to the cup, you would think that this is probably going to cost someone an arm and a leg.

[29 : 18] But no, it costs about two dollars to get a cup of coffee. And this works out to about five minutes of work for the average American worker. And I think what this speaks to is the efficiency of this bottom-up approach.

And again, remember, we're to be good stewards of God's resources to get the most out of the resources that God has given us. And this is exactly what this bottom-up approach does. Second, the coordination that is required to make the cup of coffee is done peacefully for the most part.

We don't often hear of conflict among the suppliers along that supply chain in getting coffee from the plant to the cup of coffee that we enjoy.

In fact, we hear so little about it, we just take it for granted that coffee will be there. And I just gave you the example of coffee.

And you could take apart any good that you consume and you could see that it is incredibly complex. So one of the first economists to see that the bottom-up approach produced these remarkable results of order and peaceful cooperation and efficiency in transforming those resources into output was Adam Smith.

[30 : 46] He's known as the father of economics. You probably have heard of him before. And one of his most important observations was that it seemed like to him that the bottom-up approach was being guided by an invisible hand.

Friedrich Hayek, he was an atheist and he won the Nobel Prize in economics in 1974. In one of his most important academic papers he described the bottom-up approach as a marvel.

And he adds I have deliberately used the word marvel to shock the reader out of the complacency with which we often take the working of this mechanism the bottom-up approach for granted.

Other economists have described the bottom-up approach as miraculous. So as a Christian economist when I consider the bottom-up approach and I again I think it is sinful human beings that are controlling these resources and that it doesn't result in chaos and conflict but rather order and that for the most part it's peaceful.

I think this is something that speaks to God's wisdom and his glory and how he created the world. I think that this bottom-up approach is an example of God's common grace to us.

[32 : 18] Common grace is God being kind to both sinners and saints alike. So in Psalm 145.9 it says the Lord is good to all he has compassion on all he has made.

And so to conclude I'd like to note that the bottom-up approach is not perfect. It is sinful human beings that are in control of these resources and people are going to make foolish decisions, they're going to waste resources, they're going to use resources for evil things, that is all true.

But I believe that the bottom-up approach is most consistent with a biblical worldview for the following reasons. One, I think we have to ask ourselves what system better enables man to reflect God's image.

And remember the characteristics we talked about, thinking, acting with purpose, being creative, free, and working. I think the answer here is the bottom-up approach.

Because under this approach, if man identifies an obstacle, he is free to come up with a creative solution to figure out how to transform resources to overcome that obstacle.

[33 : 32] Under the top-down approach, resources are controlled by government. And this limits man's ability to be creative with God's resources. Second, what system better enables man to be a good steward of the resources that God has given us?

The bottom-up approach relies on a system of property rights. And once we become an owner of a resource, it's almost instantaneously, we have this incentive to develop and to protect and to conserve that resource, that property.

Karl Marx, who was the biggest advocate of the top-down approach, said that you can sum up the top-down approach in a single sentence, the abolition of private property.

And then finally, I believe that the bottom-up approach is an example of God's common grace to us. The fact that order emerges out of this bottom-up approach, and for the most part is peaceful, I think speaks to God's glory and wisdom in how he created the social world.

Thank you. Five minutes. Does anybody have any questions they want to ask? Does God's word have anything to say about debt accumulation?

[34 : 59] About debt accumulation? Yeah, what is it, over 30 trillion? Yes. Yes, it does say a lot about debt and that, you know, that we're a slave to those, you know, debtors in slavery.

And I think that we should be wise when we are taking on debt. We should have a plan for how we're going to pay off that debt.

So, yes, I think the Bible has a lot to say about money and not getting too far into debt. Any other questions?

questions? Was the bottom-up approach inherent in our beginning of our country?

Was that their, would they agree with you as an economist? I think so. I mean, you see that in the Declaration of the Independence. we have a right to life, liberty, and the pursuit of happiness.

[36 : 23] Liberty, I think, is one way in which we reflect God's image. And that's one thing our country is founded upon. And we're very fortunate to live in the United States because for the most part, we have used the bottom-up approach in deciding how best to manage our scarce resources.

I could be wrong on this, but William Bradford, when he came to the Bayflower, the first year, they had like a communal system and he gave this to that.

And after one year, he figured out it did not work, so he started giving the property rights, as you said, and it started to flourish. So early on, we saw a foundation.

Exactly. We also see that in China. You know, China in the 1970s was dirt poor.

And today, they're the second largest economy in the world. And what made that difference? Well, what China started doing is getting rid of their communal farms and giving people property rights.

[37 : 42] China also became much more globalized, trading with the rest of the world. And before 1980, China was very isolated.

And so property rights and entering into the global economy and trading with other countries is one reason why China has been so successful in transforming its economy.

And you see this anywhere. You see this where countries protect private property, they flourish, they grow. And where countries do not protect private property, North Korea, Cuba, the Soviet Union, they flounder.

So why does our government want to go back? The other way. I mean, is it just a sinful, powerful way? Or what do they see that I don't see?

I agree with you 100%. It's a mistake, I think, to go back the other way. Special interests, they influence government, you know, to curb private property.

[38 : 57] It benefits some people, but it doesn't benefit our whole society. people. Roger? When you think of resources that's coming in, the use of it, and how it goes out, practically, for a family, any suggestions on how that could be done most effectively?

for a family. Well, you know what's interesting is that families are not, does not, do not use this bottom-up approach.

Families is more of a top-down approach, where the mom and dad decide how best to manage scarce resources. resources. And so, you know, one way I've heard this described before, you can use the top-down approach, but you have to know everybody's name.

But once you don't know everybody's name, you've got to use the bottom-up approach. And so then it's, you know, mom and dad need to be wise with how they manage their scarce resources.

I can answer Robin's question in one sentence. Quit giving your chip there. That can be wise.

[40 : 33] Any other questions? Go ahead. So I know like some criticisms of capitalism are that it makes people, like it doesn't take care of the poor and stuff like that. So are there motivation and the bottom-down approach to encourage people to give?

Yeah. Well, I would say a couple things to that. One is the bottom-up approach is going to produce the greatest amount of output for the greatest amount of people.

And yes, there are going to be some people who are poor in this bottom-up approach. And I think, you know, this is where the church and charity and non-profit organizations can step up to help those who do fall through the cracks under capitalism.

And also, we might want a safety net. We might want the government to provide some type of safety net. Let me add one thing about this though. In thinking about a safety net, in thinking about what the Bible says about work, we want to design that safety net in such a way that motivates people to get back to work as quickly as possible.

people. And I think this is one of the primary problems with our current safety net is that it traps people into receiving handouts from the government and it discourages people from getting back to work.

[41 : 59] And so, as a Christian economist, I think what's really important whenever we're thinking about government policy is to think about that question of work. how can we design policy to encourage people to get back to work as quickly as possible?

Because that is what God created us to do. And that's what creates the goods and services. Yeah, exactly. All right, well, let's pray.

Heavenly Father, we thank you so much for the world that you've created. We thank you, Lord, that we can see the material world and that it reflects your glory and that this world you gave us to enjoy.

And, Lord, we also thank you that you created this world in such a way that reflects your wisdom and your glory in this bottom-up approach.

And, Lord, I pray that when we receive the good things that we receive in this world, that it would turn our hearts to you and that we would accept it with thanksgiving and that we would ultimately put our hope in you for our salvation.

[43 : 25] We ask this in your name. Amen. Amen. Amen. Amen. Amen. Amen. Amen. Amen. Amen. Amen. Amen. Permane