# Capitalism and Its Critics

*Kerby Anderson provides a biblical perspective on capitalism, defending it against economic and moral criticisms.*

Nearly two decades ago, I did a Probe radio program on capitalism and socialism. Since then, I have also written other booklets on socialism, which provide an answer to the claims of candidates from the Democratic Socialists of America. But there is also a need to set forth why capitalism and the free market need to be defended and supported.

Even back then, I was able to quote from a Rasmussen poll that indicated that a mere majority of Americans said that capitalism was better than socialism.{1} That majority quickly became a minority, especially among young people. A poll just a few years later of millennials found a majority (58 percent) would prefer to live in a socialist nation than a capitalist nation. And only a small percentage (42 percent) favored capitalism. Of course, many of them probably didn't even know how to define socialism (which is a problem today).

A recent Cato Institute poll of the GenZ population found that a majority of them (53%) view socialism favorably.{2} The poll also found that more than a third (39%) would be more likely to vote for a Democratic Socialist candidate.

Part of the problem with this shift to socialism is the fact that many young people do not understand what they are supporting. Socialism sounds fair to them. And capitalism sounds evil since they have seen numerous depictions of evil, greedy capitalists in the movies and television. Think of the last time you saw a successful businessman portrayed in the media.

Another obvious issue is the fact that younger Americans are less likely to associate socialism with Soviet-style repression. Instead, they are told (incorrectly) that

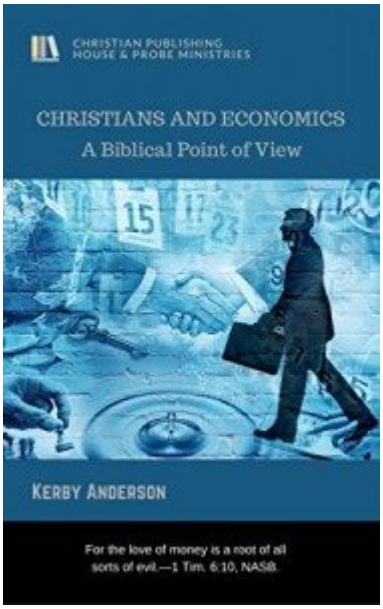
socialism is functioning well in Europe.

Also, young adults don't have "skin in the game" and thus do not think of the implications of an economic system on their future earnings. If they are in the economy, they are frustrated with the issue of affordability and naively think an economic transformation is the answer to their frustrations.

I am reminded of the famous phrase: "If you're not a liberal when you're 25, you have no heart. If you're not a conservative by the time you're 35, you have no brain." Arthur Brooks is someone I have interviewed many times, and he has proposed a variation: "A man who is not a socialist at 20 has no heart; a man who is still a socialist at 40 either has no head or pays no taxes."{3}

## Capitalism Versus Socialism

How should we define capitalism and socialism? Here are some brief definitions of these two economic systems. You can find more information in my book on Christians and economics.{4}




Capitalism is an economic system in which there is private property, and the means of production are privately owned. In capitalism, there is a limited role for government. Socialism is an economic system in which there is public or state ownership of the means of production and the primary focus is on providing an equality of outcomes. In socialism, the state

is all-important and involved in central planning.

Many leaders of the Democratic Socialists argue that capitalism is doomed to fail because it leads to wealth inequality. Actor Mark Ruffalo concluded, “Capitalism today is failing us, killing us, and robbing from our children’s future.”

Steve Forbes disagrees. “Capitalism has done just the opposite! Deaths from famines are down 99% in the last 60 years. Standard of living, 10 times better than it was 50 years ago around the world.”{5}

He isn’t the only person saying that. Most people know Bono as a musician with the group U2. But here is what he said at the World Economic Forum: “Capitalism is not immoral—it’s amoral. It requires our instruction. Capitalism has taken more people out of poverty than any other ism.”{6}

Steve Forbes also argued: “Capitalism, free enterprise, free markets, whatever you call it is a moral system because success comes from meeting the needs and wants of others.” He further explained that capitalism is humane: “You may not love your neighbor, but you sure want to sell to your neighbor. It gets people working on a common objective, even if they don’t realize it.”

Another benefit of capitalism is technological innovation. Citizens are free to invent and are encouraged to do so because they can receive the financial benefits of their ideas and inventions.

This results in new products and technologies. It also results in higher-quality technologies. In a free market, the best way to get consumers to buy your product or service is to produce it more cheaply with higher quality. This, of course, also lowers consumer prices.

# Economic Criticisms of Capitalism

People often reject the idea of capitalism because they believe one of the *economic* criticisms of capitalism. Here are two of these criticisms.

The first economic criticism is that capitalism leads to monopolies. These develop for two reasons: too little government, and too much government. Monopolies have occurred in the past because government has not been willing to exercise its God-given authority. Government finally stepped in and broke up the big trusts that were not allowing the free enterprise system to function correctly.

But in recent decades, the reason for monopolies has often been too *much* government. Many of the largest monopolies today are government-sanctioned monopolies that prevent true competition from taking place. Companies call for legislation that gives them a competitive advantage over other companies. The solution is for government to allow a freer market where competition can take place.

Let me add that many people often call markets with limited competition “monopolies” when the term is not appropriate. For example, the major car companies may seem like monopolies or oligopolies until you realize that in the market of consumer durables the true market is the entire western world.

The second criticism of capitalism is that it leads to pollution. In a capitalistic system, pollutants are considered externalities. The producer may incur costs that are external to the firm so often there is no incentive to clean up the pollution. Instead, it is dumped into areas held in common such as the air or water.

The solution in this case is governmental regulation. But this need not be a justification for building a massive bureaucracy. We need to find creative ways to direct self-

interest so that people work towards the common good.

The “capitalism leads to pollution” argument has failed. Instead, we find that as countries get richer there is more incentive and financial means to clean up pollution. This is called a Kuznets curve.{7} There are, of course, exceptions (especially with countries with inept governments and poor system of property rights). But the general rule is that as incomes go up, people focus on pollution.

Here’s what we find: when capitalism is wisely controlled, it generates significant economic prosperity and economic freedom for its citizens.

## Moral Criticisms of Capitalism

Another reason people often reject the idea of capitalism is because they believe it is*immoral*.

One of the moral arguments against capitalism involves the issue of greed. And this is why many Christians feel ambivalent towards the free enterprise system. After all, some critics of capitalism contend that this economic system makes people greedy.

To answer this question we need to resolve the following question: Does capitalism make people greedy or do we already have greedy people who use the economic freedom of the capitalistic system to achieve their -ends? In light of the biblical description of human nature, the latter seems more likely.

Because people are sinful and selfish, some are going to use the capitalist system to feed their greed. But that is not so much a criticism of capitalism as it is a realization of the human condition. The goal of capitalism is not to change people but to protect us from human sinfulness.

Capitalism is a system in which bad people can do the least harm, and good people have the freedom to do good works. Capitalism works well if you have completely moral individuals. But it also functions adequately when you have selfish and greedy people.

Important to this discussion is the realization that there is a difference between self-interest and selfishness. All people have self-interests that can operate in ways that are not selfish. For example, it is in my self-interest to get a job and earn an income so that I can support my family. I can do that in ways that are not selfish.

Capitalism was founded on the observation that all of us have self-interest. Rather than trying to change that, economists saw that self-interest could be the motor of the capitalist system.

By contrast, other economic systems like socialism ignore the biblical definitions of human nature. Thus, they allow economic power to be centralized and concentrate power in the hands of a few greedy people. Those who complain of the influence major corporations have on our lives should consider the socialist alternative of how a few governmental bureaucrats control every aspect of their lives.

Greed certainly occurs in the capitalist system. But it does not surface just in this economic system. It is part of our sinfulness. Capitalism may have its flaws as an economic system, but it can be controlled to give us a great deal of economic prosperity and economic freedom.

## Biblical Perspective

Many Christians are surprised to learn that the Bible does address economic issues, even if it does not endorse any economic system. But we can use biblical principles to evaluate an economic system.

We begin with a biblical view of human nature. The Bible has what we could call a balanced view of human nature. Human beings are created in God's image (Genesis 1:27-28) and have a noble side influenced by rationality, compassion, and even altruism. But there is also a flaw in human beings. The Bible teaches that all are sinful (Romans 3:23) and that the heart of man is deceitful above all things (Jeremiah 17:9).

An economic system that allows for human flourishing must also protect against economic abuse. As we have already discussed, capitalism provides that opportunity.

Capitalism is also based upon the foundation of private property. First, the Bible teaches that everything belongs to the Lord (Psalm 24:1 – "The earth is the Lord's, and all it contains, the world, and those who dwell in it"). Second, we have been given dominion over the creation (Genesis 1:26-28). And the Bible does grant private property rights to individuals (Exodus 22). In fact, one of the Ten Commandments is about stealing, which implies property rights.

As Christians, we can also add our moral perspective to the economy. We read in Deuteronomy 8:18 to "Remember that it is the Lord your God who gives you the power to get wealth, in fulfillment of the covenant that He made on oath with your fathers."

And we should enjoy the fruits of our labor. "There is nothing better for a man than to eat and drink and tell himself that his labor is good" (Ecclesiastes 2:24). We should also "work heartily as for the Lord rather than for men" (Colossians 3:23).

Capitalism also promotes the work ethic. That is implied in the title of Max Weber's book, *The Protestant Ethic and the Spirit of Capitalism*. It is also an important aspect of Adam Smith's *Wealth of Nations*.

Many of the Proverbs (10:4, 13:4, 14:23) contrast the

difference between hard work and diligence versus idleness and sloth. In the New Testament, there is a strong emphasis on honest work (Ephesians 4:28) and self-reliance. There is also a warning in 2 Thessalonians 3:10 that "If anyone is not willing to work, let him not eat."

As Christians we should support a free market and reject the current attempts to implement a socialist economy in this country.

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# Hayek and 'The Road to Serfdom'

*Kerby Anderson gives an overview of the bestseller* The Road to Serfdom *and explains how it is consistent with a Christian worldview.*

## Why the Interest in Hayek and *The Road to Serfdom*?

A few years ago, if you said the name Friedrich Hayek to the average person in society, they wouldn't know his name. They might wrongly guess that he was the father of actress Selma Hayek. His name was unknown to non-economists.



Today he has much more visibility. People are reading his classic book, *The Road to Serfdom*, perhaps in order to make sense of our troubled economic climate and the current administration's policies. When TV host Glenn Beck talked about Hayek and *The Road to Serfdom*, the book went to number one on Amazon and stayed in the top ten for some time. A rap video featuring cartoon versions of Hayek and John Maynard Keynes have been viewed over a million times on YouTube.

Why all the interest in a Vienna-born, Nobel Prize-winning economist who passed off the scene some time ago? People are taking a second look at Hayek because of our current economic troubles. Russ Roberts, in his op-ed, "Why Friedrich Hayek is Making a Comeback,"{1} says people are reconsidering four ideas Hayek championed.

First, Hayek and his fellow Austrian School economists such as

Ludwig Von Mises argued that the economy is much more complicated than the simple economic principles set forth by Keynes. Boosting aggregate demand by funding certain sectors with a stimulus package of the economy won't necessarily help any other sector of the economy.

Second, Hayek highlighted the role of the Federal Reserve in the business cycle. The artificially low interest rates set by the Fed played a crucial role in inflating the housing bubble. Our current monetary policy seems to merely be postponing the economic adjustments that must take place to heal the housing market.

Third, Hayek argued in his book that political freedom and economic freedom are connected and intertwined. The government in a centrally controlled economy controls more than just wages and prices. It inevitably infringes on what we do and where we live.

Even when the government tries to steer the economy in the name of the "public good," the increased power of the state corrupts those who wield that power. "Hayek pointed out that powerful bureaucracies don't attract angels—they attract people who enjoy running the lives of others. They tend to take care of their friends before taking care of others."{2}

A final point by Hayek is that order can emerge not just from the top down but also from the bottom up. At the moment, citizens in many of the modern democracies are suffering from a top-down fatigue. A free market not only generates order but the freedom to work and trade with others. The opposite of top-down collectivism is not selfishness but cooperation.

Although *The Road to Serfdom* was written at the end of World War II to warn England that it could fall into the same fate as Germany, its warning to every generation is timeless.

# Misconceptions About *The Road to Serfdom* (part one)

Hayek wrote his classic book *The Road to Serfdom*{3} more than sixty years ago, yet people are still reading it today. As they read it and apply its principles, many others misunderstand. Let's look at some of the prevalent misconceptions.

Because Hayek was a Nobel-winning economist, people wrongly believe that *The Road to Serfdom* is merely a book about economics. It is much more. It is about the impact a centrally planned socialist society can have on individuals. Hayek says one of the main points in his book is "that the most important change which extensive government control produces is a psychological change, an alteration in the character of the people. This is necessarily a slow affair, a process which extends not over a few years but perhaps over one or two generations."{4}

The character of citizens is changed because they have yielded their will and decision-making to a totalitarian government. They may have done so willingly in order to have a welfare state. Or they may have done so unwillingly because a dictator has taken control of the reins of power. Either way, Hayek argues, their character has been altered because the control over every detail of economic life is ultimately control of life itself.

In the forward to his book, Hayek makes his case about the insidious nature of a soft despotism. He quotes from Alexis de Tocqueville's prediction in *Democracy in America* of the "new kind of servitude" when

> *after having thus successively taken each member of the community in it powerful grasp, and fashioned him at will, the supreme power then extends its arm over the whole community. It covers the surface of society with a network of*

> *small, complicated rules, minute and uniform, through which the most original minds and the most energetic characters cannot penetrate to rise above the crowd. The will of man is not shattered but softened, bent and guided; men are seldom forced by it to act, but they are constantly restrained from acting. Such a power does not destroy, but it prevents existence, and stupefies a people, till each nation is reduced to be nothing more than a flock of timid and industrious animals, of which the government is the shepherd.{5}*

Tocqueville warned that the search for greater equality typically is accompanied by greater centralization of government with a corresponding loss of liberty. The chapter was insightfully titled, "What Sort of Despotism Democratic Nations Have to Fear."

Tocqueville also described the contrast between democracy and socialism:

> *Democracy extends the sphere of individual freedom; socialism restricts it. Democracy attaches all possible value to each man; socialism makes each man a mere agent, a mere number. Democracy and socialism have nothing in common but one word: equality. But notice the difference: while democracy seeks equality in liberty, socialism seeks equality in restraint and servitude.{6}*

Hayek believed that individual citizens should develop their own abilities and pursue their own dreams. He argued that government should be a *means*, a mere *instrument*, "to help individuals in their fullest development of their individual personality."{7}

## Misconceptions About *The Road to Serfdom*

## (part two)

Another misconception about Hayek is that he was making a case for radical libertarianism. Some of the previous quotes illustrate that he understood that the government could and should intervene in circumstances. He explains that his book was not about whether the government should or should not act in every circumstance.

What he was calling for was a government limited in scope and power. On the one hand, he rejected libertarian anarchy. On the other hand, he devoted the book to the reasons why we should reject a pervasive, centrally controlled society advocated by the socialists of his day. He recognized the place for government's role.

The government, however, should focus its attention on setting the ground rules for competition rather than devote time and energy to picking winners and losers in the marketplace. And Hayek reasoned that government cannot possibly know the individual and collective needs of society. Therefore, Hayek argues that the "state should confine itself to establishing rules applying to general types of situations and should allow the individuals freedom in everything which depends on the circumstances of time and place, because only the individuals concerned in each instance can fully know these circumstances and adapt their actions to them."{10}

Wise and prudent government must recognize that there are fundamental limitations in human knowledge. A government that recognizes its limitations is less likely to intervene at every level and implement a top-down control of the economy.

One last misconception has to do with helping those who suffer misfortune. It is true that he rejected the idea of a top-down, centrally controlled economy and socialist welfare state. But that did not exclude the concept of some sort of social safety net.

In his chapter on “Security and Freedom” he says, “there can be no doubt that some minimum of food, shelter, and clothing, sufficient to preserve health and the capacity to work can be assured to everybody.”{11} He notes that this has been achieved in England (and we might add in most other modern democracies).

He went on to argue that the government should provide assistance to victims of such “acts of God” (such as earthquakes and floods). Although he might disagree with the extent governments today provide ongoing assistance for years, Hayek certainly did believe there was a place for providing aid to those struck by misfortune.

## Paved With Good Intentions

Friedrich Hayek wrote *The Road to Serfdom* to warn us that sometimes the road can be paved with good intentions. Most government officials and bureaucrats write laws, rules, and regulations with every good intention. They desire to make the world a better place by preventing catastrophe and by encouraging positive actions from their citizens. But in their desire to control and direct every aspect of life, they take us down the road to serfdom.

Hayek says the problem comes from a “passion for conscious control of everything.”{12} People who enter into government and run powerful bureaucracies are often people who enjoy running not only the bureaucracy but also the lives of its citizens. In making uniform rules from a distance, they deprive the local communities of the freedom to apply their own knowledge and wisdom to their unique situations.

Socialist government seeks to be a benevolent god, but usually morphs into a malevolent tyrant. Micromanaging the details of life leads to what Hayek calls “imprudence.” Most of us would call such rules intrusive, inefficient, and often downright idiotic. But the governmental bureaucrat may believe he is

right in making such rules, believing that the local people are too stupid to know what is best for them. Hayek argues that citizens are best served when they are given the freedom to make choices that are best for them and their communities.

Hayek actually makes his case for economic freedom using a moral argument. If government assumes our moral responsibility, then we are no longer free moral agents. The intrusion of the state limits my ability to make moral choices. "What our generation is in danger of forgetting is not only that morals are of necessity a phenomenon of individual conduct but also that they can exist only in the sphere in which the individual is free to decide for himself and is called upon voluntarily to sacrifice personal advantage to the observance of a moral rule."{13} This is true whether it is an individual or a government that takes responsibility. In either case, we are no longer making free moral decisions. Someone or something else is making moral decisions for us. "Responsibility, not to a superior, but to one's conscience, the awareness of duty is not exacted by compulsion, the necessity to decide which of the things one values are to be sacrificed to others, and to bear the consequences of one's own decision, are the very essence of any morals which deserve the name."{14}

A socialist government may promise freedom to its citizens but it adversely affects them when it frees them from making moral choices. "A movement whose main promise is the relief from responsibility cannot but be antimoral in its effect, however lofty the ideals to which it owes its birth."{15}

Hayek also warned about the danger of centralizing power in the hands of a few bureaucrats. He argued that, "by uniting in the hands of a single body power formerly exercised independently by many, an amount of power is created infinitely greater than any that existed before, so much more far reaching as almost to be different in kind."{16}

He even argues that once we centralize power in a bureaucracy, we are headed down the road to serfdom. “What is called economic power, while it can be an instrument of coercion, is, in the hands of private individuals, never exclusive or complete power, never power over the whole of life of a person. But centralized as an instrument of political power it creates a degree of dependence scarcely distinguishable from slavery.”{17}

## Biblical Perspective

How does *The Road to Serfdom* compare to biblical principles? We must begin by stating that Friedrich Hayek was not a Christian. He did not confess Christian faith nor did he attend religious services. Hayek could best be described as an agnostic.

He was born in 1899 into an affluent, aristocratic family in Austria. He grew up in a nominally Roman Catholic home. Apparently there was a time when he seriously considered Christianity. Shortly before Hayek became a teenager, he began to ask some of the big questions of life. In his teen years, he was influenced by a godly teacher and even came under the conviction of sin. However, his quest ended when he felt that no one could satisfactorily answer his questions. From that point on he seems to have set aside any interest in Christianity and even expressed hostility toward religion.

Perhaps the most significant connection between Hayek and Christianity can be found in their common understanding of human nature. Hayek started with a simple premise: human beings are limited in their understanding. The Bible would say that we are fallen creatures living in a fallen world.

Starting with this assumption that human beings are not God, he constructed a case for liberty and limited government. This was in contrast to the prevailing socialist view that human beings possessed superior knowledge and could wisely order the

affairs of its citizens through central planning. Hayek rejected the idea that central planners would have enough knowledge to organize the economy and instead showed that the spontaneous ordering of economic systems would be the mechanism that would push forward progress in society.

Hayek essentially held to a high view and a low view of human nature. Or we could call it a balanced view of human nature. He recognized that human beings did have a noble side influenced by rationality, compassion, and even altruism. But he also understood that human beings also are limited in their perception of the world and subject to character flaws.

Such a view comports with a biblical perspective of human nature. First, there is a noble aspect to human beings. We are created in the image of God (Gen. 1:27-28) and are made a little lower than the angels (Psalm 8:5). Second, there is a flaw in human beings. The Bible teaches that all are sinful (Rom. 3:23) and that the heart of man is deceitful above all things (Jer. 17:9).

Hayek believed that "man learns by the disappointment of expectations." In other words, we learn that we are limited in our capacities. We do not have God's understanding of the world and thus cannot effectively control the world like socialists confidently believe that we can. We are not the center of the universe. We are not gods. As Christians we can agree with the concept of the "disappointment of expectations" because we are fallen and live in a world that groans in travail (Romans 8:22).

Although Hayek was not a Christian, many of the ideas in *The Road to Serfdom* connect with biblical principles. Christians would be wise to read it and learn from him the lessons of history.

**Notes**

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# Rome and America – Comparing to the Ancient Roman Empire

*Kerby Anderson looks at the comparisons between modern America and ancient Rome, i.e. the Roman Empire. Do Americans have a worldview more like ancient Romans than the biblical worldview spelled out in the Bible? In some ways, yes, and in other ways, not so much.*

## Similarities

The philosopher George Santayana once said: “Those who cannot remember the past are condemned to repeat it.” To which I might add that those who remember Santayana’s maxim also seem condemned to repeat the phrase.

 Ask anyone if they see similarities between Rome and America, and they are likely to respond with a resounding, “Yes!” But I have also found that people who see similarities between Rome and America see different similarities. Some see similarities in our moral decay. Others see similarities in pride, arrogance, and hubris. But all seem to agree that we are repeating the mistakes of the past and need to change our ways.

In his book *Are We Rome?*, Cullen Murphy argues that there are many similarities between the Roman Empire and America.{1} But he also believes that the American national character couldn’t be more different from Rome. He believes those differences can help us avoid Rome’s fate.

Let’s begin by looking at some of the political, geographical, and demographic similarities.{2}

1. Dominant powers: “Rome and America are the most powerful actors in their world, by many orders of magnitude. Their power includes both military might and the ‘soft power’ of language, culture, commerce, technology, and ideas.”

2. Approximately equal in size: “Rome and America are comparable in physical size—the Roman Empire and its Mediterranean lake would fit inside the three million square miles of the Lower Forty-eight states, though without a lot to spare.”

3. Global influence: “Both Rome and America created global structures—administrative, economic, military, cultural—that the rest of the world and their own citizens came to take for

granted, as gravity and photosynthesis are taken for granted."

4. Open society: "Both are societies made up of many peoples—open to newcomers, willing to absorb the genes and lifestyles and gods of everyone else, and to grant citizenship to incoming tribes from all corners of the earth."

5. Culturally similar: "Romans and Americans can't get enough of laws and lawyers and lawsuits. . . . They relish the ritual humiliation of public figures: Americans through comedy and satire, talk radio and Court TV; the Romans through vicious satire, to be sure, but also, during the republic, by means of the *censorial nota*, the public airing, name by name, of everything great men of the time should be ashamed of."

6. Chosen people: "Both see themselves as chosen people, and both see their national character as exceptional."

While there are many similarities, there are also profound differences between Rome and America. Before we look at the six major parallels that Murphy talks about, we need to remind ourselves that there are many distinct differences between Rome and America.

## Differences

It is no real surprise that people from different political and religious perspectives see similarities between Rome and America. While some see similarities in moral decay, others see it in military might or political corruption. Although there are many similarities between Rome and America, there are some notable differences.

Cullen Murphy points out these significant differences.{3}

1. Technological advancement: "Rome in all its long history never left the Iron Age, whereas America in its short history has already leapt through the Industrial Age to the

Information Age and the Biotech Age."

2. Abundance: "Wealthy as it was, Rome lived close to the edge; many regions were one dry spell away from famine. America enjoys an economy of abundance, ever surfeit; it must beware the diseases of overindulgence."

3. Slavery: "Rome was always a slaveholding polity with the profound moral and social retardation that this implies; America started out as a slaveholding polity and decisively cast slavery aside."

4. Government: "Rome emerged out of a city-state and took centuries to let go of a city-state's method of governance; America from early on began to administer itself as a continental power."

5. Social classes: "Rome had no middle class as we understand the term, whereas for America the middle class is the core social fact."

6. Democracy: "Rome had a powerful but tiny aristocracy and entrenched ideas about the social pecking order; even at its most democratic, Rome was not remotely as democratic as America at its least democratic, under a British monarch."

7. Entrepreneurship: "Romans looked down upon entrepreneurship, which Americans hold in the highest esteem."

8. Economic dynamism: "Rome was economically static; America is economically transformative."

9. Technological development: "For all it engineering skills, Rome generated few original ideas in science and technology; America is a hothouse of innovation and creativity."

10. Social equality: "On basic matters such as gender roles and the equality of all people, Romans and Americans would behold one another with disbelief and distaste."

While it is true that Rome and America have a vast number of similarities, we can also see there are significant differences between the two. We therefore need a nuanced view of the parallels between the two civilizations and recognize that these differences may be an important key in understanding the future of the United States.

## Six Parallels

Murphy sees many parallels between the Roman Empire and America in addition to the above.{4} The following are larger, more extensive, parallels.

The first parallel is perspective. It actually involves "the way Americans see America; and more to the point, the way the tiny, elite subset of Americans who live in the nation's capital see America—and see Washington itself."

Like the Romans, Americans tend to see themselves as more important than they are. They tend to have an exaggerated sense of their own presence in the world and its ability to act alone.

A second parallel involves military power. Although there are differences, some similarities stand out. Both Rome and America start to run short of people to sustain their militaries and began to find recruits through outside sources. This is not a good long-run solution.

A third parallel can be lumped under the term privatization. "Rome had trouble maintaining a distinction between public and private responsibilities." America is currently in the midst of privatizing functions that used to be public tasks.

A fourth parallel concerns the way Rome and America view the outside world. In a sense, this is merely the flip side of the first parallel. If you believe your country is exceptional, you tend to devalue others. And more importantly, you tend to

underestimate another nation's capabilities. Rome learned this in A.D. 9 when three legions were ambushed by a smaller German force and annihilated.{5} The repercussions were significant.

The question of borders is a fifth parallel. The boundary of Rome "was less a fence and more a threshold—not so much a firm line fortified with 'Keep Out' signs as a permeable zone of continual interaction." Compare that description to our border with Mexico, and so can see many similarities.

A final parallel has to do with size and complexity. The Roman Empire got too big physically and too complex to manage effectively. The larger a country or civilization, the more "it touches, and the more susceptible it is to forces beyond its control." To use a phrase by Murphy: "Bureaucracy is the new geography."{6}

Cullen Murphy concludes his book by calling for greater citizen engagement and for us to promote a sense of community and mutual obligation. The Roman historian Livy wrote, "An empire remains powerful so long as its subjects rejoice in it." America is not beyond repair, but it needs to learn the lessons from the Roman Empire.

## Decline of the Family

What about the moral decline of Rome? Do we see parallels in America? I have addressed this in previous articles such as "The Decline of a Nation" and "When Nations Die."{7} Let's focus on the area of sexuality, marriage, and family.

In his 1934 book, *Sex and Culture*, British anthropologist Joseph Daniel Unwin chronicled the historical decline of numerous cultures, including the Roman Empire. He found that cultures that held to a strong sexual ethic thrived and were more productive than cultures that were "sexually free."{8}

In his book *Our Dance Has Turned to Death*, Carl Wilson

identifies the common pattern of family decline in civilizations like the Roman Empire.{9} It is significant how these seven stages parallel what is happening in America.

In the first stage, men ceased to lead their families in worship. Spiritual and moral development became secondary. Their view of God became naturalistic, mathematical, and mechanical.

In the second stage, men selfishly neglected care of their wives and children to pursue material wealth, political and military power, and cultural development. Material values began to dominate thought.

The third stage involved a change in men's sexual values. Men who were preoccupied with business or war either neglected their wives sexually or became involved with lower-class women or with homosexuality. Ultimately, a double standard of morality developed.

The fourth stage affected women. The role of women at home and with children lost value and status. Women were neglected and their roles devalued. Soon they revolted to gain access to material wealth and also freedom for sex outside marriage. Women also began to minimize having sex relations to conceive children, and the emphasis became sex for pleasure.

In the fifth stage, husbands and wives competed against each other for money, home leadership, and the affection of their children. This resulted in hostility and frustration and possible homosexuality in the children. Many marriages ended in separation and divorce.

In the sixth stage, selfish individualism grew and carried over into society, fragmenting it into smaller and smaller group loyalties. The nation was thus weakened by internal conflict. The decrease in the birthrate produced an older population that had less ability to defend itself and less will to do so, making the nation more vulnerable to its

enemies.

Finally, unbelief in God became more complete, parental authority diminished, and ethical and moral principles disappeared, affecting the economy and government. Because of internal weakness and fragmentation, the society came apart.

We can see these stages play out in the decline of the Roman Empire. But we can also see them happening before our eyes in America.

## Spiritual Decline

What about the spiritual decline in Rome and America? We can actually read about the spiritual decline in Rome in Paul's letter to the church in Rome. In the opening chapter he traces a progression of spiritual decline that was evident in the Hellenistic world of his time.

The first stage is when people turn from God to idolatry. Although God has revealed Himself in nature to all men so that they are without excuse, they nevertheless worship the creation instead of the Creator. This is idolatry. In the past, this took the form of actual idol worship. In our day, it takes the form of the worship of money or the worship of self. In either case, it is idolatry. A further example of this is a general lack of thankfulness. Although they were prospered by God, they were ungrateful. And when they are no longer looking to God for wisdom and guidance, they become vain and futile and empty in their imaginations. They no longer honor God, so their foolish hearts become darkened. In professing to be wise, they have become fools.

The second stage is when men and women exchange their natural use of sex for unnatural uses. Here Paul says those four sobering words, "God gave them over." In a society where lust-driven sensuality and sexual perversion dominate, God gives them over to their degrading passions and unnatural desires.

The third stage is anarchy. Once a society has rejected God's revelation, it is on its own. Moral and social anarchy is the natural result. At this point God has given the sinners over to a depraved mind and so they do things which are not proper. This results in a society which is without understanding, untrustworthy, unloving, and unmerciful.

The final stage is judgment. God's judgment rightly falls upon those who practice idolatry and immorality. Certainly an eternal judgment awaits those who are guilty, but a social judgment occurs when God gives a nation over to its sinful practices.

Notice that this progression is not unique to the Hellenistic world the apostle Paul was living in. The progression from idolatry to sexual perversion to anarchy to judgment is found throughout history.

In the times of Noah and Lot, there was the idolatry of greed, there was sexual perversion and promiscuity, there was anarchy and violence, and finally there was judgment. Throughout the history of the nation of Israel there was idolatry, sexual perversion, anarchy (in which each person did what was right in his own eyes), and finally judgment.

Are there parallels between Rome and America? I have quoted from secular authors, Christian authors, and a writer of much of the New Testament. All seem to point to parallels between Rome and America.

**Notes**

1. Cullen Murphy, *Are We Rome? The Fall of an Empire and the Fate of America* (New York: Houghton Mifflin, 2007).
2. Ibid., 14-15.
3. Ibid., 16-17.
4. Ibid., 18-20.
5. Ibid., 122.
6. Ibid., 135.

7. Kerby Anderson, "The Decline of a Nation," Probe Ministries, 1991, and "When Nations Die," 2002; both available on Probe's Web site, www.probe.org.
8. J.D. Unwin, *Sex and Culture* (London: Oxford University, 1934).
9. Carl Wilson, *Our Dance Has Turned to Death* (Carol Stream, IL: Tyndale, 1981), 84-85.

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# Ethics and Economics

*Often we separate the ideas of ethics and economics, but there is a moral aspect to economics. There are economic as well as moral consequences to governmental policies and our ethics, economics, private property, and government economic decisions.*

What does the Bible have to say about economics? As we will see, the Bible does provide a firm moral foundation for economics. Previously we have talked about what the Bible has to say about economics.{1} In this article we will discuss the ethical implications of economics, drawing many principles from the book *Bulls, Bears & Golden Calves* by John E. Stapleford.{2}

We should begin by establishing that there is a moral aspect to economics. This question was an important one a few centuries ago, but today economics is usually taught without any real consideration of an ethical component.

Paul says, "All Scripture is inspired by God and profitable for teaching, for reproof, for correction, for training in righteousness" (2 Tim. 3:16). He adds that this will enable

the people of God to be equipped for every good work (2 Tim. 3:17). Certainly that would include economic works.

James calls on believers to be "doers of the word, and not merely hearers" of the word (James 1:22). This command applies to more than just our church life and family life. This would apply to doing good works in the economic realm.

There are obvious moral implications to issues often discussed in relation to economic issues. For example, in previous radio programs we have talked about the morality of such topics as drugs, pornography, and gambling. We have also talked about the importance of Christians learning to be good stewards of the environment. Each of these topics has an economic component to it, and thus implies that we should apply ethics to economics.

Legalizing drugs has economic consequences, but it also has moral consequences as well.

In previous programs, we have talked about the pornography plague.{3} The Bible teaches that we are created in the image of God (Gen. 1:27), and our bodies are the temple of the Holy Spirit (1 Cor. 6:19). We should, therefore, flee the temptation of pornography (1 Cor. 10:13; 2 Tim 2:22).

We have in previous programs also talked about what the Bible has to say about the subject of gambling.{4} The Bible teaches that we are to work by the sweat of our brow (Gen. 3:19). This is God's command as well as an opportunity. Work can be fulfilling to us as we accomplish a task and is an essential element of human worth and dignity. Gambling undercuts the work ethic by emphasizing greed (Rom. 1:29), materialism, laziness (Prov. 19:15), and covetousness (Ex. 20:17).

## Private Property

What does the Bible say about property, and especially about

private property? First, the Bible clearly teaches that everything in the world belongs to the Lord. Psalm 24:1 says, “The earth is the Lord’s, and all it contains, the world, and those who dwell in it.”

At the same time, the Bible also teaches that we are given dominion over the creation (Gen. 1:28). We are accountable to God for our stewardship of the resources.

Because God owns it all (Ps. 24:1), no one owns property in perpetuity. But the Bible does grants private property rights to individuals. One of the Ten Commandments prohibits stealing, thus approving of private property rights. The book of Exodus establishes the rights of property owners and the liabilities of those who violate those rights.{5} Financial restitution (Ex. 22) must be made to property owners in cases of theft or neglect. Physical force is allowed to protect property (Ex. 22:2). Lost animals are to be returned, even when they belong to an enemy (Ex. 23:4). Removing landmarks that protect property is clearly forbidden (Deut. 19:14; 27:17; Job 24:2; Prov. 22:28; Hos 5:10).

Some Christians have suggested that the New Testament rejects the idea of private property because the book of Acts teaches that the early Christians held property in common. But this communal sharing in the New Testament was voluntary. Acts 2:44-47 says, “And all those who had believed were together and had all things in common; and they began selling their property and possessions and were sharing them with all, as anyone might have need. Day by day continuing with one mind in the temple, and breaking bread from house to house, they were taking their meals together with gladness and sincerity of heart, praising God and having favor with all the people. And the Lord was adding to their number day by day those who were being saved.”

The early Christians did not reject the idea of private property. Notice that they still retained private property

rights until they voluntarily gave up those rights to help other believers in Jerusalem. This was a specific leading of the Holy Spirit to meet the increasing needs of the growing New Testament church.

We can see that they retained property rights in the actions of Ananias and Sapphira. Their sin was not that they retained control of some of their property but that they lied about it. Acts 5:4: “While it remained unsold, did it not remain your own? And after it was sold, was it not under your control? Why is it that you have conceived this deed in your heart? You have not lied to men but to God.”

Also notice that Paul called for voluntary charity toward believers in Jerusalem when he called New Testament believers to give to the needs of those within the church. 2 Corinthians 8:13-15 says, “For this is not for the ease of others and for your affliction, but by way of equality—at this present time your abundance being a supply for their need, so that their abundance also may become a supply for your need, that there may be equality; as it is written, ‘He who gathered much did not have too much, and he who gathered little had no lack.'”

## Work

What is the place of work in economic activity? First, we see that God put Adam and Eve in the Garden of Eden to work. God commanded them to work it and take care of it (Gen. 2:15-17). They were given an explicit command to exercise stewardship over the creation.

However, when sin entered the world, God’s curse brought toil, sweat, and struggle to work (Gen. 3:17-19). But we still maintain the responsibility to work the land and cultivate it. We are also given the privilege by God of enjoying the earth and deriving profit and benefit from what it might produce (Gen. 9:1-3).

Second, we are created in God's image (Gen. 1:27), so we can find work rewarding and empowering. At the same time, we should also be held accountable for the work we do or fail to do. Paul says, "If a man will not work, he shall not eat" (2 Thess. 3:10, NIV).

Third, there is also a satisfaction in work. It not only satisfies a basic human need but it also is a privilege provided by the hand of God. Ecclesiastes 2:24 says, "There is nothing better for a man than to eat and drink and tell himself that his labor is good. This also I have seen that it is from the hand of God."

Fourth, we are to work unto the Lord. Paul admonishes believers to "work heartily as for the Lord rather than for men" (Col. 3:23). He also says, "For consider your calling, brethren, that there were not many wise according to the flesh, not many mighty, not many noble; but God has chosen the foolish things of the world to shame the wise, and God has chosen the weak things of the world to shame the things which are strong, and the base things of the world and the despised God has chosen, the things that are not, so that He may nullify the things that are, so that no man may boast before God. But by His doing you are in Christ Jesus, who became to us wisdom from God, and righteousness and sanctification, and redemption, so that, just as it is written, 'Let him who boasts, boast in the Lord' (1 Cor. 1:26-31).

We also learn from Scripture that without God's involvement in our work, human labor is futile. Psalm 127:1 says, "Unless the Lord builds the house, they labor in vain who build it." God's blessings come to us through our labors.

Finally, with work there should also be rest. The law of the Sabbath (Ex. 20:8-11) and the other Old Testament provisions for feasts and rest demonstrate the importance of rest. In the New Testament also we see that Jesus set a pattern for rest (Mark 6:45-47; Luke 6:12) in His ministry. Believers are to

work for the Lord and His Kingdom, but they must also avoid being workaholics and take time to rest.

## Government

What is the role of government in the economic arena? In previous radio programs, we have discussed the role of government in society.{6}

First, Christians are commanded to obey government (Rom. 13:1) and submit to civil authority (1 Pet. 2:13–17). We are called to render service and obedience to the government (Matt. 22:21). However, we are not to render total submission. There may be a time in which Christians may be called to disobey government leaders who have set themselves in opposition to divine law (Rom. 13:1-5; John 19:11). We are to obey civil authorities (Rom.13:5) in order to avoid anarchy and chaos, but there may be times when we may be forced to obey God rather than men (Acts 5:29).

Second, we understand that because of the fall (Gen. 3), all have a sin nature (Rom. 3:23). Government must therefore administer justice in the political and economic realm. It must also protect us against aggression as well as provide for public works (1 Kings 10:9).

As we have discussed in previous articles, the reality of sin nature dictates that we not allow a political concentration of power. Governmental power should be limited with appropriate checks and balances. Government also should not be used in a coercive way to attempt to change individuals. We should not accept the idea that the state can transform people from the outside. Only the gospel can change people from the inside and so that they become new creatures (2 Cor. 5:17).

In his book *Bulls, Bears & Golden Calves*, John E. Stapleford sets forth many functions of government in the economic realm. Government must ensure justice in the following ways:

• “Weights and scales are to be honest, a full measure (shaken down) is to be given (Lev. 19:35-36; Deut. 25:15; Prov. 20:23; Lk. 6:38), and currency is not be debased by inflationary monetary policy or other means (e.g., mixing lead with silver).”{7}

• Procedural justice requires that contracts and commitments be honored (Lev. 19:13).

• Government must also ensure justice when people are cheated or swindled. In these cases, the cost of restoration should be borne by the guilty or negligent party (Ex. 21:33-36; 22:5-8, 10-15). Government should also deal with those who give a false accusation (Deut. 19:16-19).

• Government should also prevent economic discrimination. This would apply to those of different economic class (James 2:1-4) as well as to those of different sex, race, and religious background (Gal. 3:26-29). Government can exert a great influence on the economy and therefore should use its regulatory power to protect against discrimination.

• That being said, the primary function of government is to set the rules and provide a means of redress. The free market should be allowed to function with government providing the necessary economic boundaries and protections. Once this is done in the free enterprise system, individuals are free to use their economic choices in a free market.

## Conclusion

What is the connection between economics and ethics? The fact that we even refer to these as separate issues is an indication of the times in which we live. In the past, ethics and economics were interconnected.

Thomas Aquinas, in his *Summa Theologica,* addressed economic issues in a moral and theological way. He wouldn’t just ask

about prices and markets, but also asked the fundamental question, What is a just price?

John Calvin's *Institutes of the Christian Religion* also devoted whole sections to government and economics. These were issues that he believed Christian theologians should address.

Today if moral questions about economics are discussed at all, they might be discussed in a class on economic theory. While we might hope that such discussions might surface in a seminary, usually those classes focus on theological questions rather than economic questions that deserve a moral reflection.

We have shown that economic issues often have a moral component. You can't just talk about the economic consequences of legalizing drugs, promoting pornography, or promoting gambling without dealing with the moral consequences.

We have also seen that the Bible has a great deal to say about work. Through the creation and the fall, human beings have a right and an obligation to work.

We find that the Bible also warns us of the consequences of idleness. Proverbs 24:30-34 says, "I passed by the field of the sluggard and by the vineyard of the man lacking sense, and behold, it was completely overgrown with thistles; Its surface was covered with nettles and its stone wall was broken down. When I saw, I reflected upon it; I looked, and received instruction. A little sleep, a little slumber, A little folding of the hands to rest, Then your poverty will come as a robber and your want like an armed man."

People are supposed to work and should be held accountable for the work they do or fail to do. Paul says, "If a man will not work, he shall not eat" (2 Thess. 3:10, NIV).

The Bible also teaches that God has endowed individuals with different gifts and talents (1 Cor. 12, Rom. 12). Even within

the body of Christ, there are different members even though we are all one body in Christ.

When these differences in gifts and abilities are expressed within a free market, their respective value in terms of supply and demand means that they will receive different remuneration (1 Tim. 5:18). So it is not surprising that there are economic distinctions among individuals. Proverbs 22:2 says, "The rich and the poor have a common bond, The Lord is the maker of them all."

Ethics and economics are related, and Christians would be wise to begin exploring the moral implications of economic behavior and the impact it is having on them and society.

**Notes**

1. Kerby Anderson, "A Biblical View of Economics," Probe Ministries, 2001, www.probe.org/a-biblical-view-of-economics/
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3. Kerby Anderson, "Pornography," Probe Ministries, 1997 (revised 2008), www.probe.org/pornography/
4. Kerby Anderson, "Gambling, Probe Ministries, 2005, www.probe.org/gambling/
5. Stapleford, 63.
6. Kerby Anderson, "Christian View of Government and Law," Probe Ministries, 1999, www.probe.org/christian-view-of-government-and-law/
7. Stapleford, 86.

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# Globalization and the Wal-Mart Effect – How Wal-Mart Changes the Way Products are Sourced and Sold

*Kerby Anderson helps us understand the foundational principles and some the current factors which make Wal-Mart the dominant force in consumer sales in the world. Wal-Mart has fundamentally changed the way products are sourced and sold as shown in the examples presented in this article. Kerby does not take a position for or against those changes but encourages us to consume in ways that consider the impact of our consumption.*

## Introduction

In this article, we revisit the issue of global trade and the process of globalization. In an earlier article I asked, Is the world flat?{1} I talked about the various things that have made our world flat and used Wal-Mart as one of the examples.

I would like to further develop our discussion by using Wal-Mart as an example of what is happening in our world. Thomas Friedman, in his book *The World is Flat*, says that if Wal-Mart were an individual economy, it would rank as China's eighth-biggest trading partner, ahead of Russia, Australia, and Canada.{2}

Often I will be referring to many of the facts and figures from Charles Fishman's book *The Wal-Mart Effect*.{3} For example, he points out that more than half of all Americans live within five miles of a Wal-Mart store. For most people, that's about a ten- to fifteen-minute drive. Ninety percent of Americans live within fifteen miles of a Wal-Mart. In fact,

when you drive down the interstate, it is rare for you to go more than a few minutes without seeing a Wal-Mart truck.

Wal-Mart has over 3800 stores in the United States. That is more than one Wal-Mart store for every single county in the country.{4} And they don't exactly fade into the landscape. They sit on vast aprons of asphalt parking and stand out because of their sheer size.

Wal-Mart has also become the national commons. Every seven days more than one hundred million Americans shop at Wal-Mart (that's one third of the country). Each year, ninety-three percent of American households shop at least once at Wal-Mart.

Wal-Mart's sales in the United States are a bit more than $2000 per household. And Wal-Mart's profit on that amount was just $75.00.{5}

The size of this company is hard to grasp. Wal-Mart isn't just the largest retailer in the nation and the world. For most of this decade, it has been both the largest company in the world as well as the largest company in the history of the world.

In 2006, Wal-Mart will be bumped from the number-one spot on the Fortune 500 list of the largest companies by ExxonMobil, whose sales will surge past Wal-Mart's because the world price of oil rose so much in the last year.

But if you consider payrolls, there is no comparison. ExxonMobil employs about 90,000 people worldwide. Wal-Mart employs 1.6 million.{6} And there's another difference. ExxonMobil is growing by raising prices. Wal-Mart is growing despite lowering prices.

Put another way, Wal-Mart is as big as Home Depot, Kroger, Target, Costco, Sears, and Kmart combined. Target might be considered Wal-Mart's biggest rival and closest competitor, but it is small in comparison. Wal-Mart sells more by St. Patrick's Day (March 17) than Target sells all year.{7}

# The Wal-Mart Effect

Ask people to give you their opinion about Wal-Mart and you are likely to get lots of different responses. They may talk with enthusiasm about the “always low prices.” Or they might talk about the impact Wal-Mart had on small businesses in their community when the first store arrived. They may even talk about the loss of American jobs overseas. Believe me, most will have an opinion about Wal-Mart.

Wal-Mart had its creation in the mind of Sam Walton who promoted a single idea: sell merchandise at the lowest price possible. It began with Wal-Mart working hard to keep the costs of their company as low as possible. This idea moved from their company to their suppliers as they asked them to be as frugal as possible. As the company grew in size, they began looking for every way to wring out the last penny of savings from materials, packaging, labor, transportation, and display. The result was “the Wal-Mart effect.”

Consumers have embraced “the Wal-Mart effect.” As a store moves into a community bringing lower prices, it drives down prices in other stores. And either they compete or close their doors. And it also reshapes the shopping habits of those in the community.

But with “the Wal-Mart effect” comes fears of “the Wal-Mart economy.” This is the nagging feeling that there are social and economic costs to be paid for “always low prices.” Critics talk about low wages, minimal benefits, and little chance for career advancement.

The company has found itself under attack from many quarters. There is a lawsuit on behalf of 1.6 million women who have worked at Wal-Mart that alleges systematic sex discrimination. Add to this the allegations that managers have required employees to work off the clock and even have locked employees in stores overnight.

There is also the constant complaint that Wal-Mart does not provide adequate health care benefits. Last year, for example, the Maryland legislature passed a bill that forces companies with more than 10,000 employees to spend at least eight percent of their payroll on health care or pay the state the difference. Since Wal-Mart is the only employer with over 10,000 employees in the state, it is easy to see that the legislation was only targeting Wal-Mart.

Wal-Mart recently settled a federal investigation of its use of illegal aliens to clean its stores. The company made a record-setting payment to the federal government.

Sam Walton's goal from the beginning was an unrelenting focus on controlling costs in order to provide "always low prices." He instilled in his employees core values like hard work, frugality, discipline, and loyalty.{8}

In his book *The Wal-Mart Effect*, Charles Fishman says these values have become inverted. He points out how the company has changed. When Sam Walton died in 1992, Wal-Mart was a $44 billion-a-year company with 370,000 employees. The number of employees has now grown by 1.2 million, and sales have grown by $240 billion. "Wal-Mart is not only not the company Sam Walton founded, it is no longer the company he left behind."{9}

## Out of the Box

You probably never thought about the packaging around deodorant, but Wal-Mart did. Until the early 1990s, nearly every brand of deodorant came in a paperboard box. Most consumers opened the box, pulled out the deodorant container, and tossed the box into the garbage. Some of us recycled them, but we were a very small minority.

In the early 1990s, Wal-Mart (along with a few other retailers) decided the paperboard box was a waste. The product

came in a can or plastic container. These were at least as tough as the box. The box took up wasted space, and it wasted cardboard. Shipping the weight of the cardboard added weight to trucks and wasted fuel. And the box itself cost money to design and produce. It even cost money to put the deodorant into the box.

Wal-Mart began to apply pressure on the suppliers to eliminate the box. Deodorant manufacturers calculated that the box cost about a nickel for every consumer. Wal-Mart split the savings. Deodorant makers keep a few pennies, and Wal-Mart passed a couple of pennies savings on to the consumers.

Walk into Wal-Mart today and look at the deodorant aisle. You will probably find eight shelves of deodorant, sixty containers across. In this sea of nearly five hundred containers of deodorant, not one box.

Consider the impact of this one decision. First, there is the environmental impact. Whole forests were not cut down to provide a box that consumers did not use. A few recycled them, but the vast majority threw them away seconds after they removed their deodorant. Was Wal-Mart's pressure to unbox deodorant a good thing? It certainly was, if you are concerned about environmental issues. And Christians should be concerned about our stewardship of the environment.

The economic impact was also considerable. A savings of one nickel might seem trivial until you multiply it by the two hundred million adults in the United States. If you just account for the container of deodorant in every American bathroom, you have a savings of $10 million, of which consumers got to keep half. But don't forget that the savings is recurrent. Americans are saving $5 million in nickels about five to six times a year.

But there is also a third impact. The impact this decision had on jobs. So far the decision looks like a win-win. But you

might not feel so excited about the decision if you work in the forestry industry or are in the paperboard box business.

This story illustrates only so well the problem with providing a clear, unambiguous analysis of consumer behavior in American markets and, even more so, the ethics of corporations in a global market. And this story is probably easier to analyze if your first priority is the environment. But the ethics of other situations that arise from globalization aren't quite so easy to evaluate.

Wal-Mart illustrates the world in which corporate entities significantly influence our decisions and even transform an economy. While we might like the outcome of saving paperboard boxes, we certainly don't like other aspects of "the Wal-Mart effect." The company has grown so large and evolved in unexpected ways that it is difficult to predict what the future holds. And when we begin to ask moral questions, it isn't so easy to always determine whether the outcomes are good for us or the country.

## Salmon

Americans love to eat salmon. In fact, we eat more than 1.75 million pounds of salmon a day.{10} We eat it at home and when we go out to a restaurant.

And Americans buy lots of cheap salmon from Wal-Mart. But they are probably unaware of the impact their purchase has on the environment. Most of the salmon served in the United States is Atlantic salmon (which is a species that is not only found wild but is also the species of choice for salmon farmers).

The salmon that you buy in Wal-Mart is "a factory product." In other words, they are hatched from eggs, raised in freshwater hatcheries, and then grown to maturity in open-topped ocean cages in cold coastal waters.{11}

Wal-Mart sells more salmon than any other store in the country. Wal-Mart also buys all its salmon from Chile. In fact, they purchase about one-third of the annual harvest of salmon that Chile sells. Wal-Mart sells the salmon for $4.84 a pound. It seems incredible that they can sell it for so little, but there are hidden costs.

Atlantic salmon are not native to Chile (its coastline runs along the Pacific). It's an exotic species that is literally farmed and processed by thousands of Chileans. The labor conditions are certainly a concern (long hours, low pay, processing of salmon with razor-sharp filleting instruments).

Another concern is the environment. Salmon farming is already transforming the ecology of southern Chile "with tens of millions of salmon living in vast ocean corrals, their excess food and feces settling to the ocean floor beneath the pens, and dozens of salmon processing plants dumping untreated salmon entrails directly into the ocean."{12}

When we buy salmon from Chile are we contributing to this environmental damage? Charles Fishman asks, "Does it matter that salmon for $4.84 a pound leaves a layer of toxic sludge on the ocean bottoms of the Pacific fjords of southern Chile?"{13} After all, these salmon are raised in pens (with as many as one million per farm). They are fed antibiotics to prevent disease. As a result, you have quite a mess. One million salmon produce about the same amount of waste as 65,000 people. And add to that additional waste from unconsumed food and antibiotic residue. In essence, the current method of salmon farming creates a toxic seabed.

So how do we change this? The answer is simple: by changing consumer behavior. If shoppers won't buy salmon until Wal-Mart insists on higher standards, Wal-Mart will insist on them. The same company that created this huge market for salmon can also change it. But this will only happen if consumers voice their concerns and back it up with their behavior.

## Consumer Behavior

As I said earlier, mention the name Wal-Mart and you are likely to get lots of varied reactions. While shoppers love the “always low prices,” critics point to the impact that the company has had on the economy and the environment.

In fact, it is a bit misleading to think of Wal-Mart as merely a company. In reality it’s a global market force. Without a doubt it is one of the most efficient entities at improving its supply chain not only in this country but around the world. Most of us just shop at the store and don’t think of the implications of what we buy and where we buy it.

The size of Wal-Mart gives it the power to do many positive things. It recently announced fuel-savings plans for its stores and trucks. This could provide a model for the nation.

Wal-Mart also provided a model of how to deal with a disaster like Hurricane Katrina. Even though they had 171 facilities in the path of the storm, they were able to recover and reopen eighty-three percent of their facilities in the Gulf area within six days.{14}

One key to Wal-Mart’s success was associates who were dedicated to their communities. The local connection helped it deliver goods when the government failed. Wal-Mart sprang into action even before the hurricane hit. Whenever there is a possibility of a hurricane, its supply chain automatically adjusts and sends in plenty of non-perishable food and generators.

What is Wal-Mart’s effect on the local economy? One famous study found that the arrival of a Wal-Mart store had a dramatic impact. “Grocery stores lost 5 percent of their business, specialty stores lost 14 percent of their business, and clothing stores lost 18 percent of their business—all while total sales were rising 6 percent, mostly due to Wal-

Mart."{15}

Critics of Wal-Mart say that it forces small businesses into bankruptcy. But if you think about it, it is the consumers who put people out of business. We vote with our wallets. Shoppers are the ones who have made it possible for Wal-Mart's phenomenal growth. And we are the ones who need to pay attention to what we buy and where we buy it.

In this article, we have identified a few economic and environmental issues that result from "the Wal-Mart effect." Previously, we have produced articles discussing the Christian's responsibility towards economics{16} and the environment.{17}

Our consumer behavior can have a positive impact on our world. As individuals, we have a minimal impact, but collectively we have an impact on our lives and our economy every day when we spend money. For too long, Christians have been willing to separate ethics from economics. Yet in earlier centuries theologians asked important questions about the relationship of morality to money.

It is time to return to that moral reflection, especially in this age of globalization. Christians should be alert consumers in this global economy.

**Notes**

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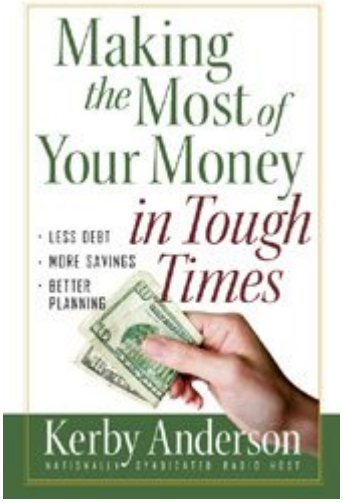
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# A Biblical View of Economics – A Christian Life Perspective

*Kerby Anderson shows that economics is an important part of one's Christian worldview. Our view of economics is where*

*many of Christ's teachings find their daily application.*

In this article we are going to be developing a Christian view of economics. Although most of us do not think of economics in moral terms, there has (until the last century) always been a strong connection between economics and Christian thought.




If you look at the *Summa Theologica* of Thomas Aquinas, you find whole sections of his theological work devoted to economic issues. He asked such questions as: "What is a just price?" or "How should we deal with poverty?"

Today, these questions, if they are even discussed at all, would be discussed in a class on economic theory. But in his time, these were theological questions that were a critical and integral part of the educational curricula.

In the Protestant Reformation, we find the same thing. In John Calvin's *Institutes of the Christian Religion*, whole sections are devoted to government and economics. So Christians should not feel that economics is outside the domain of Christian thinking. If anything, we need to recapture this arena and bring a strong biblical message to it.

In reality, the Bible speaks to economic issues more than any other issue. Whole sections of the book of Proverbs and many of the parables of Jesus deal with economic matters. They tell us what our attitude should be toward wealth and how a Christian should handle his or her finances. The Bible also

provides a description of human nature, which helps us evaluate the possible success of an economic system in society.

The Bible teaches that there are two aspects to human nature. First, we are created in the image of God and thus able to control the economic system. But second, human beings are sinful and thus tend towards greed and exploitation. This points to the need to protect individuals from human sinfulness in the economic system. So Christians have a much more balanced view of economics and can therefore construct economic theories and analyze existing economic systems.

Christians should see the fallacy of such utopian economic theories because they fail to take seriously human sinfulness. Instead of changing people from the inside out as the gospel does, Marxists believe that people will be changed from the outside in. Change the economic base, they say, and you will change human beings. This is one of the reasons that Marxism was doomed to failure, because it did not take into account human sinfulness and our need for spiritual redemption.

It is important for Christians to think about the economic arena. It is a place where much of everyday life takes place, and we can evaluate economics from a biblical perspective. When we use the Bible as our framework, we can begin to construct a government and an economy that liberates human potentiality and limits human sinfulness.

Many Christians are surprised to find out how much the Bible says about economic issues. And one of the most important aspects of the biblical teaching is not the specific economic matters it explores, but the more general description of human nature.

## Economics and Human Nature

When we are looking at either theories of government or

theories of economics, an important starting point is our view of human nature. This helps us analyze these theories and predict their possible success in society. Therefore, we must go to the Scriptures to evaluate the very foundation of each economic theory.

First, the Bible says that human beings are created in the image of God. This implies that we have rationality and responsibility. Because we have rationality and volition, we can choose between various competing products and services. Furthermore, we can function within a market system in which people can exercise their power of choice. We are not like the animals that are governed by instinct. We are governed by rationality and can make meaningful choices within a market system.

We can also assume that private property can exist within this system because of the biblical idea of dominion. In Genesis 1:28, God says we are to subdue the earth and have dominion over the creation. Certainly one aspect of this is that humans can own property in which they can exercise their dominion.

Since we have both volition and private property rights, we can then assume that we should have the freedom to exchange these private property rights in a free market where goods and services can be exchanged.

The second part of human nature is also important. The Bible describes the fall of the world and the fall of mankind. We are fallen creatures with a sin nature. This sinfulness manifests itself in selfishness, greed, and exploitation. Thus, we need some protection in an economic system from the sinful effects of human interaction.

Since the Bible teaches about the effects of sinful behavior on the world, we should be concerned about any system that would concentrate economic power and thereby unleash the ravages of sinful behavior on the society. Christians,

therefore, should reject state-controlled or centrally controlled economies, which would concentrate power in the hands of a few sinful individuals. Instead, we should support an economic system that would disperse that power and protect us from greed and exploitation.

Finally, we should also recognize that not only is human nature fallen, but the world is fallen. The world has become a place of decay and scarcity. In a fallen world, we have to be good managers of the limited resources that can be made available in a market economy. God has given us dominion over His creation, and we must be good stewards of the resources at our disposal.

The free enterprise system has provided the greatest amount of freedom and the most effective economic gains of any economic system ever devised. Nevertheless, Christians often wonder if they can support capitalism. So the rest of this article, we are going to take a closer look at the free enterprise system.

## Capitalism: Foundations

Capitalism had its beginning with the publication of *The Wealth of Nations,* written by Adam Smith in 1776. He argued that the mercantile economic system working at that time in Great Britain was not the best economic foundation. Instead, he argued that the wealth of nations could be increased by allowing the individual to seek his own self-interest and by removing governmental control over the economy.

His theory rested on three major premises. First, his system was based upon the observation that people are motivated by self-interest. He said, “It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.” Smith went on to say that “neither intends to promote the public interest,” yet each is “led by an invisible hand to promote an end that was not part of [his] intention.”

A second premise of Adam Smith was the acceptance of private property. Property was not to be held in common but owned and freely traded in a market system. Profits generated from the use and exchange of private property rights provided incentive and became the mechanism that drives the capitalist system.

From a Christian perspective we can see that the basis of private property rests in our being created in God's image. We can make choices over property that we can exchange in a market system. The need for private property grows out of our sinfulness. Our sinful nature produces laziness, neglect, and slothfulness. Economic justice can best be achieved if each person is accountable for his own productivity.

A third premise of Adam Smith's theory was the minimization of the role of government. Borrowing a phrase from the French physiocrats, he called this laissez-faire. Smith argued that we should decrease the role of government and increase the role of a free market.

Historically, capitalism has had a number of advantages. It has liberated economic potential. It has also provided the foundation for a great deal of political and economic freedom. When government is not controlling markets, then there is economic freedom to be involved in a whole array of entrepreneurial activities.

Capitalism has also led to a great deal of political freedom, because once you limit the role of government in economics, you limit the scope of government in other areas. It is no accident that most of the countries with the greatest political freedom usually have a great deal of economic freedom.

At the outset, let me say that Christians cannot and should not endorse every aspect of capitalism. For example, many proponents of capitalism hold a view known as utilitarianism, which is opposed to the notion of biblical absolutes.

Certainly we must reject this philosophy. But here I would like to provide an economic critique.

## Capitalism: Economic Criticisms

The first economic criticism is that capitalism leads to monopolies. These develop for two reasons: too little government and too much government. Monopolies have occurred in the past because government has not been willing to exercise its God-given authority. Government finally stepped in and broke up the big trusts that were not allowing the free enterprise system to function correctly.

But in recent decades, the reason for monopolies has often been too much government. Many of the largest monopolies today are government sanctioned or sponsored monopolies that prevent true competition from taking place. The solution is for government to allow a freer market where competition can take place.

Let me add that many people often call markets with limited competition monopolies when the term is not appropriate. For example, the three major U.S. car companies may seem like a monopoly or oligopoly until you realize that in the market of consumer durables the true market is the entire western world.

The second criticism of capitalism is that it leads to pollution. In a capitalistic system, pollutants are considered externalities. The producer will incur costs that are external to the firm so often there is no incentive to clean up the pollution. Instead, it is dumped into areas held in common such as the air or water.

The solution in this case is governmental intervention. But I don’t believe that this should be a justification for building a massive bureaucracy. We need to find creative ways to direct self-interest so that people work towards the common good.

For example, most communities use the water supply from a

river and dump treated waste back into the water to flow downstream. Often there is a tendency to cut corners and leave the waste treatment problem for those downstream. But if you required that the water intake pipe be downstream and the waste pipe be upstream you could insure less pollution problems. It is now in the self-interest of the community to clean the wastewater being pumped back into the river. So while there is a need for governmental action, much less might be needed if we think of creative ways to constrain self-interest and make it work for the common good.

We can acknowledge that although there are some valid economic criticisms of capitalism, these can be controlled by limited governmental control. And when capitalism is wisely controlled, it generates significant economic prosperity and economic freedom for its citizens. Next, let us discuss some of the moral problems of capitalism.

## Capitalism: Moral Critiques

One of the first moral arguments against capitalism involves the issue of greed. And this is why many Christians feel ambivalent towards the free enterprise system. After all, some critics of capitalism contend that this economic system makes people greedy.

To answer this question we need to resolve the following question. Does capitalism make people greedy or do we already have greedy people who use the economic freedom of the capitalistic system to achieve their ends? In light of the biblical description of human nature, the latter seems more likely.

Because people are sinful and selfish, some are going to use the capitalist system to feed their greed. But that is not so much a criticism of capitalism as it is a realization of the human condition. The goal of capitalism is not to change people but to protect us from human sinfulness.

Capitalism is a system in which bad people can do the least harm, and good people have the freedom to do good works. Capitalism works well if you have completely moral individuals. But it also functions adequately when you have selfish and greedy people.

Important to this discussion is the realization that there is a difference between self-interest and selfishness. All people have self-interest and that can operate in ways that are not selfish. For example, it is in my self-interest to get a job and earn an income so that I can support my family. I can do that in ways that are not selfish.

Adam Smith recognized that every one of us have self-interest and rather than trying to change that, he made self-interest the motor of the capitalist system. And before you react to that, consider the fact that even the gospel appeals to our self-interest. It is in our self-interest to accept Jesus Christ as our savior so that our eternal destiny will be assured.

By contrast, other economic systems like socialism ignore the biblical definitions of human nature. Thus, they allow economic power to be centralized and concentrate power in the hands of a few greedy people. Those who complain of the influence major corporations have on our lives should consider the socialist alternative of how a few governmental bureaucrats control every aspect of their lives.

Greed certainly occurs in the capitalist system. But it does not surface just in this economic system. It is part of our sinfulness. The solution is not to change the economic system, but to change human nature with the gospel of Jesus Christ.

In conclusion, we may readily acknowledge that capitalism has its flaws as an economic system, but it can be controlled to give us a great deal of economic prosperity and economic freedom.

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# Economic Issues

## Minimum Wage

Although the minimum wage law is more than 50 years old, it is still a very controversial measure. In fact, a battle over the minimum wage occurs every time Congress tries to increase it. Minimum wage seems like one of those political issues that compassionate people should support. But the opposite is true. The minimum wage leads to maximum unemployment for people with few job skills trying to enter the work force.

My own experience is illustrative. I started job hunting as a teenager during a rather depressed economy. The minimum wage requirement nearly kept me from getting a job because, as an unskilled laborer entering the job market for the first time, I had nothing more to offer than a strong back and conscientious work habits. Whether I was worth the minimum wage in my first job is questionable. But after working in a machine shop and as a ditch digger, I developed skills that made me more valuable to my employer.

Back in 1938, establishing a minimum wage of 35 cents an hour seemed admirable. But today it effectively shuts less-skilled people out of the work force. In essence, the minimum wage law requires employers to discriminate against young people with few job skills. A teenager whose services are worth, say, only $3 an hour is not going to be hired at $4.25 an hour (plus benefits like Social Security, which raise the cost to the employer to over $5 an hour). The choice is not between working for $3 an hour and working for $4.25 an hour. The real

choice is between working for $3 an hour and not working at all.

The effect of minimum wage on young people is devastating. When the lowest rung on the ladder is higher than your head, that necessary first step into a job will never be taken. The high rate of unemployment among teenagers is due in large part to the minimum wage laws that place the rungs on the ladder too high. Eliminating the minimum wage would allow more young people to get on-the-job training.

Minimum wage's effect on the poor is also troubling. Research indicates that for every 10 percent rise in the minimum wage, there is a 3 percent drop in employment among workers covered by the Fair Labor and Standards Act. In other words, if seven workers get their wages increased, three workers either get fired or can't find work. Notice how the minimum wage law has changed the nature of employment in America. More and more restaurants are switching from waiter service to self-service. Gas stations have followed suit. It explains why you see fewer ushers at movie theaters and fewer "bag boys" at supermarkets. In the past, these jobs allowed young people to develop job skills. Today, many don't exist, and young people are the losers.

Raising the minimum wage may seem compassionate. But in the end, those with limited job skills in need of work experience are the ones hurt by good intentions.

## Comparable Worth

Although the idea of comparable worth has been roundly criticized, it is still gaining proponents. Like the minimum wage, it seems at first glance like an issue we should back. But it has not exactly generated a groundswell of support.

Clarence Pendleton (former chairman of the U.S. Commission on Civil Rights) called comparable worth "the looniest idea since

Looney Tunes came on the screen." But even so, its proponents are resolved to make it the law of the land.

The seeds of comparable worth first found fertile ground in the judicial system. A number of years ago, Federal Judge Jack Tanner, citing a consulting firm's comparable-worth study, ruled that the state of Washington was guilty of sex discrimination. His judgment of nearly $1 billion against the state provided impetus for a similar suit in California.

Proponents of comparable worth argue that the Equal Pay Act of 1963 and the Civil Rights Act of 1964 are not enough and urge the adoption of comparable worth legislation. But underlying this movement are some questionable assumptions.

First is the dubious assumption that differences between male and female wages are due to discrimination. But sexism has less to do with the wage differences than with the way women participate in the economy. Many work part-time, and most leave the job market to raise children. Economist Walter Williams estimates that women on the average spend about one-third of their potential working years in the labor market and therefore have less job-related experience than men. When relevant criteria such as education, experience, and seniority are factored in, many wage disparities vanish.

A study released by the Rand Corporation demonstrates that the gap between male and female wages is decreasing steadily, and the rate of decrease has begun to accelerate in the last few years. Economists James Smith and Michael Ward show that this rise in wages is commensurate with improvements in women's education and job experience, "rather than legislation, government commissions, or political movements."

Second, the approach assumes that personnel studies can adequately compare different kinds of jobs. Yet there is no such thing as an objective scale of economic values. Economists from Marx to Ricardo have tried to devise non-

market criteria for the value of labor, and there is still no consensus after 100 years of work on the project.

What will happen when the studies disagree, as they inevitably will? The potential for disputes is endless. Should nurses earn as much as doctors or paramedics? How about a secretary who can drive a car? Should she make more than a truck driver who cannot type? There simply are not enough courts to handle the many kinds of questions that will surely follow.

Third, comparable worth assumes that governmental bureaucrats should decide pay levels. Even in situations of obvious discrimination, we should question whether a bureaucracy is the best way to rectify the problem. In fact, in light of the last 25 years of research into the nature of governmental bureaucracies, one might wonder whether bureaucracies are the best way to deal with any social problem.

Wage inequity deserves attention, but the solution is not to force employers to pay wages established by bureaucrats rather than by the free market. We need better implementation of existing laws and prosecution when discrimination occurs.

Comparable worth plays a game of “worthier than thou” by trying to compare vastly dissimilar occupations without utilizing the market system and depending solely upon subjective judgments. We would do better without it.

## Budget Deficits

A theme in recent campaigns has been the budget deficit. And for good reason. We are drowning in tides of red ink, and something must be done. Some candidates suggest that the way to balance the budget is to increase taxes. But that won’t solve the problem and most likely will make it worse.

The problem is not that we are undertaxed but that we are overspent. Consider these budget statistics. First, taxes have continued to increase throughout this century. That’s not so

surprising since the cost of living has increased as well. But tax receipts as a percentage of the GNP have also steadily increased over time.

A second way to look at the problem is to plot the increase of the federal government's budget. In 1938 the budget was $7 billion. Today the budget exceeds $1 trillion. That's an increase of over 14,000 percent. In comparison, in 1938 a Hershey bar cost 5 cents, a first-class stamp 3 cents, a new Ford $600, a good suit $40, and gold $35 per ounce. However, if these costs increased by the same proportion as the cost of government, the prices would be astro- nomical. A Hershey bar would be $7, a first-class stamp would be $4.20, a car would sell for $84,000, a suit for $5,600, and an ounce of gold would be $4,900.

Moreover, a tax increase is not a solution; it is part of the problem. Economist Walter Williams has shown that the facts simply do not square with the oft-repeated assumption that more taxes will reduce the deficit.

Williams has studied the federal budget figures for the last 25 years and found the following. The budget has been in the red 24 of the last 25 years. And in 19 of those years there have been tax increases. His studies show that for each $1 in tax increase during that period, there was a $1.58 spending increase. In other words, when taxes rose, deficits skyrocketed.

In 1982, when Congress passed the largest peacetime tax increase in U.S. history, the new revenues were not used to decrease the deficit. Instead, they were used to increase spending in a number of budget categories.

The solution is to cut the federal budget. Bloated bureaucracies drain America's economic competitiveness and often dole out grants to things ranging from obscure scientific projects to obscene art. Certainly it is time to

begin cutting the federal budget in significant ways.

A major budget category is federal pensions. There is nothing wrong with providing pensions to civil service employees and military retirees. But some of these pensions have grown much more lucrative than anything found in the private sector.

For example, retired Senator Al Gore was making more than his son, Al Gore, Jr., until the younger man was given a Congressional pay increase in the mid-1980s. When Gore senior retired from Congress in 1970, his salary was $42,000. But, thanks to federal cost-of- living increases, his pension was over $78,000, while his son's salary was only $77,000. When a current member of Congress makes less than a retired one, something is wrong with pensions. The Grace Commission found that if federal pensions were trimmed to resemble the "best" private sector pension programs, $58 billion in taxes could be saved over a three-year period.

The federal budget is a problem, but many are looking in the wrong places for solutions. Americans are not undertaxed. The American government is overspent. We need to cut expenses, not raise taxes.

## Housing

In recent years, Congress has made significant changes in the way it funds public housing. As the next budget considerations loom in the future, we can learn a great deal from the successes of the past.

One of the most important successes was the adoption of the housing voucher concept. The argument for housing vouchers is simple. Many current federal housing policies focus on bricks and mortar. These programs provide incentives to private developers and thus place an emphasis on buildings. Direct rent assistance in the form of housing vouchers is used to replace construction subsidy programs, which often benefit

contractors more than the poor. These voucher programs, therefore, direct government resources at people, not projects.

Housing vouchers given to renters utilize the free market system to bring about desired changes. When rent subsidies are allocated for construction of housing projects, we create a seller's market. When we give housing vouchers to renters, we create a buyer's market.A housing voucher system encourages landlords to improve run-down apartments.

Government housing policies make families dependent upon governmental subsidies and lock them into inadequate housing situations. In our effort to win the war on poverty, we have lost the war on independence.

To be poor is to be caught in a culture of poverty, frustrated and without choices. The voucher system provides not only a roof and walls, but choice and dignity. Although government pays only the amount of rent that exceeds 30 percent of a family's income, the family can choose to pay more than that and is free to move to a different housing situation.

A second program success has been the privatization of public housing. A few years ago a bill encouraging privatization was sponsored by conservative Jack Kemp and liberal Walter Fauntroy. Kemp, invoking memories of the Homestead Act of 1862, referred to this legislation as the "urban homesteading bill."

The bill offered tenants of the nation's 1.25 million public housing units the chance to buy their own homes and apartments at 75 percent below market value with no money down and at greatly reduced interest rates. Only units that were "modernized" were offered for sale.

The bill also empowered public housing tenants to run their own projects. Legislators recognized that tenant management would provide better management of public housing.

Inspiration for resident management came from the example of the Kenilworth-Parkside project in Washington, D.C. In 1982, Mayor Marion Barry granted self-management to the residents. An analysis by an international accounting firm indicated that the tenants cut operating costs significantly, boosted rent collections by 77 percent, reduced the vacancy rate by two-thirds, and halved the rate of welfare dependency, thanks to jobs in the project created by the management team. These savings and new revenues, say the accountants, added close to $10 million to Washington's tax collections.

These have been constructive changes in public housing policy. Housing vouchers provide choices and dignity and arm the poor with a mechanism to improve housing. Resident control of public housing provides for initiative and independence. We need more housing programs like this in the future.

## Churches and Taxes

One of the oft-cited criticisms of Christians is that they attend churches that should be forced to pay their fair share of taxes. But once you understand the history of this issue, it is easy to see why critics of tax-exempt institutions miss the point.

When the United States was founded, the framers of the constitution wanted to protect churches from governmental influence. The first amendment to the Constitution specifically states that "Congress shall make no law respecting an establishment of religion nor prohibiting the free exercise thereof." This protected the churches from the intrusive hand of the state.

But when Congress began to tax its citizens, a question arose. Could it tax churches? The answer then was very simple.

The first two modern income-tax statutes were the Revenue Act of 1894 and the Revenue Act of 1913. In both the laws, only

“net income” was to be taxed. Churches and all other non-profit organizations had no “net income,” so they were not taxed. The author of the 1913 Act, Cordell Hull, even resisted the call for establishing explicit categories of exemptions. He argued that the law was designed to impose explicit categories of taxation, therefore, all organizations not listed would be exempt.

But that was not sufficient for many in the bureaucracy, and so, over time, the Internal Revenue Service began to define what a tax- exempt organization might be. In the IRS code, it is defined as a 501(c)(3) organization.

From the IRS’s point of view, it made sense to define a church, because they began to see the rise of bogus churches with names like the “Church of the Marijuana” or the “Hot Tub Church.” But from the Christian point of view it seems most unwise to have IRS agents define in legal language what the Bible provides in explicit detail. Sometimes there was a significant confrontation.

Fortunately, Congress has passed a bill which more clearly specifies the role the IRS can have in securing church records and determining whether a church qualifies under the IRS code.

Many critics of churches argue that they can unfairly compete in the marketplace because of their tax exemption. But most of that objection was answered years ago.

The Tax Reform Act of 1969 ended churches’ tax exemption for income from profit-making enterprises. Before 1969, churches exempt under theIRS code did not have to pay corporate income tax on unrelated business income, but Congress closed that loophole.

Critics also argue that exemptions are given as a legislative grace in return for specified public services which government would have to provide. But the U.S. Supreme Court held in a 1970 case that traditional property-tax exemptions for

churches are constitutional and rejected the notion that exemption is a legislative grace. The argument may have its merits in reference to colleges, hospitals, libraries, or parks. But it is not applicable to churches, since government could not constitutionally set up or operate a church to provide the religious services churches provide. Despite allegations to the contrary, churches are not “getting away with something.” They do not pay taxes because they do not have net income. When they do make a profit in a business enterprise, they pay taxes on it. The rest of the time, they should be tax exempt.

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