Exploring Economics

Ray Notgrass

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French Market, New Orleans, Louisiana (c. 1910)

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Hunter Plant in Castle Dale, Utah, is a coal-fired power generation station.

Gray's General Store, Little Compton, Rhode Island (2008)

Introduction

A factory closes in your town. Three hundred people lose their jobs because the company has decided to move its production to Mexico. What will all of those former employees do for work?

You are thinking about applying for a summer job at a new clothing store because they carry attractive but modest apparel. However, it is the seventh clothing store in the same shopping area. If it doesn't stay in business, you may be out of work for the rest of the summer. What should you do?

A family that lives down the street is moving to a less expensive house. The mother in that family had to have surgery for a brain tumor, and they are having a hard time paying all of the medical expenses. What economic issues are they are facing?

In the early 1960s, gasoline cost twenty-five or thirty cents a gallon. Today, gasoline prices change constantly and can go from two dollars a gallon to four dollars a gallon and back again in a year. What causes these changes?

The promises that a presidential candidate makes regarding economic policy sound good—but the promises of another candidate sound good also, even though they embody the opposite policy priorities. Which candidate should you support? Are either candidate's proposals realistic?

You hear people at church talking about an increase in taxes that the government is considering. They say that it will be a one percent increase. That doesn't sound like very much. What's the problem?

Every day the news reports some statistic: the unemployment rate, new housing starts, a change in the Consumer Price Index, the Dow Jones average. What do all of these numbers mean?

You want to be a good steward of the resources, including the money, that God provides for you. You want to live, work, and think about the world around you in a way that will honor God. What do you need to understand in order to accomplish these goals? All of these are reasons you need to study economics.

Goals and Purpose

Exploring Economics provides a thorough survey of the basic terms and concepts of economics. However, our goal has been not just to assemble the required definitions, statistics, and charts, but to provide an understanding of what economics is, what it means to you now, and what it will mean to you in your adult life.

Some of you who study this course will go on to take an economics course in college. Probably very few of you who study this curriculum will become economists. But everyone who studies this course will face economic issues and decisions. Having a grasp of the basic issues in the field will be helpful.

If you shop for clothes or groceries or gasoline, if you buy imported goods, if you start a business, if you read the headlines, if you support and vote for political candidates, economics will affect you. If you are ignorant of the subject, people who have all sorts of agendas can mislead you. The danger of ignorance is real in many areas of life, but it is especially dangerous when it comes to your money.

Content and Structure

This curriculum begins with an overview of economic terms and concepts and some of the more important economic theories. Two units (ten lessons) are devoted to what we call God's Economics: what the Bible says about economics, business, and wealth; a survey of economic ideas in church history; and economic issues that Christians face today. One unit (five lessons) provides a brief survey of the economic history of the United States to put our present situation in context. Eight units (forty lessons) present economic ideas, terms, and realities in greater detail. Two units then discuss vital economic issues that confront America today and show how the ideas presented earlier in the curriculum relate to these issues.

We hope to make the field of economics more clear by this three-fold presentation: brief overview, detailed discussion, and application to contemporary issues. The final unit in the curriculum puts all of what we discussed on a personal level by presenting economic priorities and decisions that affect individuals and families.

Our Perspective

We approach the subject of economics from a perspective of faith in God and a reliance on the Bible as God's infallible Word. Since issues involving money are so important and can have such a huge impact on a person's walk with the Lord, the teachings of the Bible are essential to a proper understanding of economics.

We believe in the strengths of the capitalist free-market system. We believe that the free market system has done more than any other economic system to help people live well in material terms; to provide outlets for them to use their God-given talents and resources; and to enable them to know personal, political, and economic freedom. By contrast, command economies that central government bureaucrats run have proven to be an inefficient and sometimes destructive way to guide the economic life of a country.

At the same time, we recognize the imperfections of capitalism. Capitalists are humans, and humans are sinners. Capitalists can be greedy, unjust, and exploitative. Sometimes people take advantage of a free system to do wrong for personal gain, just as those who are committed to or involved with a socialist or government-planned economy can do wrong and be selfish. Sometimes, for any number of reasons, the free market does not work completely smoothly. As a result, economic difficulties occur.

The human factor is why some government regulations are necessary even in free-market economies. However, unreasonable or ineffective government regulations that go too far are hurtful and counterproductive. The dynamic of imperfect people seeking to live by (and sometimes work around) economic principles makes economics fascinating and leads to lively debates.

Economics is not the study of business administration, although business activity is a vital part of the economy. You will not learn about the best way to organize a business, how to hire and motivate employees, good bookkeeping and accounting practices, or other matters related to running a business.

Economics is also not a study of personal finance. You will not learn how to balance a checkbook or how to shop wisely. These are important topics, but you can learn about these and other such issues in a course on consumer math. This course considers personal financial matters in the context of broader economic activity.

The World of Economics Today

We live in a time when economic events and government policies have challenged the classic definitions of economics. For instance, the communist nation of China, which has a history of central economic planning, is promoting capitalist enterprises within its borders (the Chinese call it socialism with a Chinese flavor). At the same time, the traditionally capitalist United States has seen a great increase in government involvement in economic planning and oversight in recent decades. Understanding the classic definitions is important, but we must also understand the changing economic realities of today.

Economic developments are constantly in the news. The times in which we live should encourage your generation to realize that a study of economics is relevant and vital. We hope that this curriculum will help you understand current economic realities while you gain an insight into topics that have long been associated with the study of economics.

In addition, please note that the websites and specific Internet sources cited in the text were current when this curriculum was written. Websites change and sources can be taken down at any time. We do not control the content accessed through these links, and a link to any site does not imply our endorsement. Please use care and discretion while browsing the Internet, and let us know if any of the links are outdated or inappropriate.

Acknowledgments

The materials we publish are always family projects. We have all had a hand in helping this curriculum come to fruition. John and Charlene Notgrass provided essential input on lesson content. John also did the graphic design of the book layout and helped with the editing of the volume of original sources. Nate McCurdy produced the charts and graphs. Mary Evelyn McCurdy designed the covers. Charlene reworked the review and test questions from the first edition. Bethany Poore developed the literature component and the lesson assignments and activities.

We have also benefited from the work of others. Ellen Petree, who is state certified in economics, reviewed the first edition and offered valuable insights. Larry Raper, who understands economic issues well because of his career with a major insurance company, also read the lessons and made many helpful suggestions. I am grateful for the help that these and other people have provided, but any errors and shortcomings are mine.

May we all be wiser stewards (the Greek word is *oikonomoi*, from which we get the English word economics) of the great gifts God gives us, and may He be honored through this curriculum.

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Clothing factory in Bangladesh (2012)

How to Use the Curriculum

Exploring Economics is a one-semester high school course that helps students understand economic terms and issues that have an impact on the United States and its citizens. This course introduces both microeconomics and macroeconomics. In states where a year-long course is considered one high school credit, the economics and English components count as one-half credit each. In states where a year-long course is considered two high school credits, each course is counted as one credit.

To earn credit for both economics and English, the student should:

- Read the lessons in the text.
- Read the assigned documents in *Making Choices*.
- Complete a project for each unit (see explanation below).
- Read the four assigned books.
- Read the literary analysis for each book in the *Student Review*.
- Complete the assignments found at the end of the literary analysis for each book.
- **Optional:** Complete daily review questions, quizzes, and exams in the Student Review Pack.

If you do not wish to use *Exploring Economics* for English credit, you can omit half of the projects and the four assigned books, but we encourage you to include them because they greatly enhance your student's understanding of economics.

Unit Projects. Our design for students earning one-semester credits in both economics and English is for the student to complete one project per week as suggested in the unit introductions. The student can choose to do *either* a writing assignment or a hands-on project. For students completing the one-semester English credit, we recommend that the student choose the writing assignment at least six times during the semester.

Time Required. A student should complete each day's assignments, listed at the end of each lesson, on that day. The actual time a student spends on a given day might vary, but you should allow your student about one hour each day for economics and one hour for English. If you are using the *Student Review* material, the work for the last day of each unit includes the unit quiz, which will require a few more minutes that day. Three days in the semester will include taking an exam over the previous five units, so you should allow some more time for this activity.

We Believe in You. We believe that you are in charge of your child's education and that you know how best to use this material to educate your child. We provide you with tools and instructions, but we encourage you to tailor them to fit your child's interests and abilities and your family's situation and philosophy. Being able to do this is one of the benefits of homeschooling!

Course Descriptions

You can use the following course descriptions as you develop your school records, produce a high school transcript, or report grades.

Economics. The student will receive an introduction to Biblical teaching related to economics, economics in church history, and the economic history of the United States. The student will then explore the basics of macroeconomics and microeconomics, learning about markets, money, trade, business organization, and labor. The student will also learn how government is involved in the economy and look at modern economic challenges. The student will read a significant number of original source documents and essays about economics while studying the lessons.

English (Economics in Fiction and Non-Fiction). The student will read two novels, one book about the global economy, and one autobiography (see list below). The student will read literary analysis of the books and discuss them in writing. The student will also complete a project each week, either an essay or another creative project related to the study of economics.

Student Review Pack

The *Student Review Pack* has material that you might find helpful for increasing your student's understanding of the course and for giving you a way to know and grade your student's grasp of the content. It is an optional supplement that contains the following three components.

The *Student Review* includes review questions on each lesson, literary analysis of the books assigned in the curriculum, and essay questions on the books. The literary analysis is also available at notgrass.com/ee.

The *Quiz and Exam Book* has a quiz to be taken at the end of each unit that is based on the lesson review questions. In addition, after every five units, it has an exam that is based on the quizzes from those five units. This makes a total of fifteen quizzes and three exams over the course of the semester. The lesson review questions can serve as a study guide for the quizzes, and the quizzes can serve as a study guide for the exams.

The questions at the end of the literary analysis for the four books provide the material needed for grading English.

The *Answer Key* contains answers for the lesson review questions, literary analysis questions, and the quizzes and exams.

Assigned Literature		
Units 1-3	*Silas Marner*	George Eliot
Units 4-7	*The Rise of Silas Lapham*	William Dean Howells
Units 8-11	*The Travels of a T-Shirt in the Global Economy*	Pietra Rivoli
Units 12-15	*Mover of Men and Mountains*	R. G. LeTourneau

Wall Street and Broadway, New York City (1911)

1 Getting a Grasp of Economics

Economics is about life. It is about how people make choices, produce and use goods and services, work, spend money, and interact with each other in a local setting and around the world. An economy involves many participants, including business owners, workers, and the government. Each one plays a role in how that economy works. Economists have identified principles that describe how an economy works. Adam Smith and Karl Marx are two of the most influential economists in history, but many other economists and schools of economic thought have influenced our understanding of economics. This unit provides a survey of basic economic ideas and introduces some of the most influential economists and their ideas.

Books Used

The Bible
Making Choices
Silas Marner

Project (choose one)

1) Write 300 to 500 words on one of the following topics:

- What would you do with five hundred dollars? Explain your reasons (see Lesson 1).

- Explain the ways that your household is involved in economics (jobs held; stores and other businesses patronized; property owned; charities supported, etc.).

2) Create a poster-sized work of art that represents the concept of supply and demand. Use the medium of your choice (paint, pastels, pencil, colored pencil, marker, ink, chalk, collage, etc.).

3) Conduct an interview with a parent or (with your parents' permission) another adult in your parents' or grandparents' generation. Ask your interviewee how he or she views economics; what his or her financial priorities are; major economic events in his or her own life and that they have experienced historically. Prepare at least seven questions ahead of time and try to keep the conversation within one hour to respect your interviewee's time. Use video or audio to record the interview.

Literature

Mary Ann Evans was born in Warwickshire, England, in 1819. She chose the male pen name George Eliot to help give her novels credibility at a time when female authors were associated with lightweight romantic literature. The 1864 portrait below is by Sir Frederick Burton.

Eliot's first novel, *Adam Bede*, published in 1859, was a success. Other acclaimed novels followed: *The Mill on the Floss* in 1860, *Silas Marner* in 1861, *Romola* in 1863, *Middlemarch* in 1872 and *Daniel Deronda* in 1876. Her realism and insights into the human mind set her work apart.

Silas Marner, set in an out-of-the-way English village, has a gentle pace and a somber mood. The main characters guard secrets which isolate them from healthy relationships. The unexpected arrival of a small child teaches the title character and his community the power of giving and receiving love.

George Eliot was one of the leading novelists of the 19th century, a rich period in English literature. She died in 1880.

1 What Would You Do with Five Hundred Dollars?

Economics is a study of mankind in the ordinary business of life.
— Alfred Marshall, Principles of Economics *(1890)*

Suppose you had five hundred dollars. What would you do with it? This is one way to look at some of the basic issues of economics.

The five hundred dollars are a resource that you obtained from somewhere. Perhaps you worked for someone who put a value of five hundred dollars on your labor. Perhaps your parents gave it to you over time as an allowance. You might have inherited the money from a relative. However you came to have it, someone earned it. Economics concerns how people acquire wealth.

Maybe you don't have five hundred dollars in cash; maybe you have a resource worth five hundred dollars in another form. It might be a tree on your property that you could cut down and sell for the lumber. Your resource might be a skill that you could offer to perform for others, such as doing plumbing work or mowing lawns. Economics deals with the value that people place on goods and services.

Your five hundred dollars is a resource, but it is limited. This means that you must decide what you are going to do with it from among several alternatives. Even if you had a million dollars, or a trillion dollars, your resource would still be limited. Economics is about making choices about what to do with limited—or scarce—resources.

You might put the money in the bank, which would mean that you could earn interest on it. This would also allow the bank to loan some of your five hundred dollars to someone else. You would make money on the interest you receive, the bank would make money on the interest it charges for the loan, and the recipient of the loan could make money by investing the money in a business. How the banking system works is part of economics.

You might decide to invest the five hundred dollars in a business of your own. If you buy some tools, you could increase your productivity and do work for others who would pay you for your labor. You could print flyers to advertise your services as a babysitter and get more babysitting jobs. You might buy ingredients to make lemonade, set up a stand, and sell the lemonade at a profit. A key topic in economics is productivity.

You might decide to buy something for yourself with the five hundred dollars. If you do, the owner of the store will make a profit, and the store owner will pay the person who made the item so that he or she also makes a profit. The store owner and the

Lemonade stand at the Zapata County Fair, Zapata, Texas (2014)

maker of the item will then use their profits to buy things they want or need, so the impact of your five hundred dollars is multiplied many times over. Economics studies this circulation of money. If you do buy something, you will want to make the wisest purchase you can and one that will benefit you the most. This is being a good steward of your resources.

You might decide to give some of the five hundred dollars to your church, or to a charity, or to an individual you know who is in need. The way you spend your money—whether as a purchase, a gift, or an investment—reflects what you think about God.

But you can't save it all, invest it all, spend it all, and give it all. You have to make choices about how you are going to use your resource.

So far, we have just talked about you, your five hundred dollars, and what you and other participants in the economy might do with it. But other players are involved with your five hundred dollars. We have to consider the government's interest in your money. The government plays a major role in economics. If you earned the money as income, you might have to pay income tax on it. You probably won't have to pay taxes on it if you only make five hundred dollars in a year; but if it is the last five hundred dollars of a much larger total amount of earnings, you probably will have to pay taxes on it. This involves the reality of marginal tax rates, which we will discuss later.

If you buy something with the money, you will probably have to pay sales tax. Government policies will determine if you have to pay more income or sales tax than you paid last year. If the people in charge of government decide to start a new program, they will want more tax revenue to pay for it. Unfortunately, governments rarely want decreasing amounts of tax revenue. In general, taxes discourage economic activity and growth; but governments must obtain revenue from somewhere.

So far we have assumed that you have a choice about what you do with your five hundred dollars. The kind of government and economy in which you live will affect what choices you have. If you live in a country where the government runs the economy (often called a command economy), government bureaucrats would decide what gets produced and what gets put on the store shelves for you to buy. This kind of economy limits a person's choices, and it limits the economic activity that takes place in that country. If you wanted to start a business, you would have to get government approval for the kind of business you wanted to start. But because of the nature of a command economy, you would be less likely to have five hundred dollars with which to make economic choices anyway.

If you buy something with your five hundred dollars that has been made in another country, you enter into the realm of international trade. Our government allowed a business to import that item from another country through a trade treaty or trade agreement with that country. The person who made the item in that other country may have received a lower wage than a worker making the same item in the United States would have received. An American company might have built the factory in the other country because it can pay workers there less than it would have to pay workers in the United States. All of these elements are issues in economic policy.

Here's an even more basic question: What is the five hundred dollars? What you have are small pieces of paper printed with green ink that have "United States of America," "Federal Reserve Note," "In God We Trust," and other phrases, numbers, and pictures on them. You might be able to create a piece of paper that is more attractive, but it would be worth nothing economically unless another person also considered it valuable. Who says that these pieces of paper have a value of five hundred dollars?

Money is an agreed-upon medium of exchange, whether it is metal coins, pieces of paper printed by the government, or electronic records in a bank. Money allows you to buy things more easily than if we had a barter economy, in which people exchange goods and services directly instead of buying and selling them with money.

When making plans about using your money, you must keep in mind inflation. Inflation is a decline in the value of money, which is evident in a rise in prices for goods and services. A year from now your pieces of green paper that add up to $500.00 might be worth only $490.00 in relative purchasing power because of the impact of inflation.

Economics can be a complicated subject, but this simple situation illustrates many of the issues involved in economics:

You have five hundred dollars. What are you going to do with it?

Origin of the Word Economics

The terms economics, economist, and economy come from the Greek word *oikonomos* (oy-ko-NO-mos), which means steward. This compound Greek word is formed from two shorter words, *oikos*, meaning house, and *nemein*, meaning to manage (the word *nomos*, law, is related to *nemein*). An *oikonomos* was the manager or steward of a household, a position of responsibility that a slave often held. His work was an *oikonomia* (oy-ko-no-ME-ah), or stewardship. The New Testament uses the Greek words in this sense in Luke 12:42-48, Luke 16:1-8, and Galatians 4:2.

The terms came to have a broader application that involved the stewardship or carrying out of any responsibilities related to an office, even the leadership of a country. Romans 16:23 mentions Erastus, the city treasurer or *oikonomos* of Corinth.

Paul used the word to describe the stewardship or the carrying out of responsibilities that God entrusted to him as an apostle (1 Corinthians 4:1-2, 9:17). Paul also used it in describing the role of an overseer, bishop, or elder as a steward carrying out a responsibility in the church (Titus 1:7). Peter used it for the stewardship or proper handling of the grace of God that God expects of all Christians (1 Peter 4:10-11). Another occurrence with a slightly different meaning was the way Paul used the term in Ephesians 1:10, where *oikonomia* means God's working out of His plan for "the summing up of all things in Christ."

In generations previous to ours, the English word *economy* referred primarily to the management of a household. People later applied it to the carrying out of any responsibility, and then to the fiscal life of a country.

Words related to the term economics, such as the adjective economical or the verb economize, refer to being wise or frugal—that is, being a good manager—in financial matters. In spite of the original meaning of the word, an economist does not necessarily manage the financial affairs of a country. Economists for the most part study the field of economics. They might teach in universities, work for investment companies, write books, or give speeches. Some economists are in positions of responsibility within government. These positions enable them to influence or manage economic activity.

The Meaning of Economics Today

People have defined economics in various ways. Economist Jacob Viner (1892-1970) said, "Economics is what economists do." This is true, but it does not help much. The definition by Alfred Marshall (1842-1924) at the start of this lesson, "Economics is a study of mankind in the ordinary business of life," is also true and broadly descriptive, although we would still like more specifics.

Shoe factory in Borovo, Croatia (2015)

Many economists emphasize the fact of scarce or limited resources and the choices people make concerning them. British economist Lionel Robbins (1898-1984) said, “Economics is a science which studies human behavior as a relationship between ends and scarce means which have alternative uses.” Merriam-Webster’s Collegiate Dictionary, Eleventh Edition, defines economics as “a social science concerned chiefly with description and analysis of the production, distribution, and consumption of goods and services.” Let’s think about that last definition some more.

Production issues involve the supply of goods and services available in a society. Production deals with such matters as what to make, who makes or who should make it, what they give up in order to make it (a decision that economists call the opportunity cost), the resources needed to make it (such as labor, raw materials, and technology), the production of capital goods (the machinery required to make other goods), and the desire to keep the cost of production as low as possible. Production also involves the organization of business, issues related to the employment of workers, and the desire that companies and workers have for ever-greater productivity. Many of these questions involve the production of goods, but the production of services—such as health care, education, and transportation—is also a vital part of this topic.

Distribution deals with getting goods and services to the public. This gets into the demand side of the supply-and-demand equation. How will producers distribute goods and services: through sale in the market or by the government providing them? Who will get them? At what price can people obtain them? Will the producer or provider set the price to generate a profit? Distribution issues involve transactions within a country and trade among the nations of the world.

Consumption takes place by individuals, households, businesses, and governments as they purchase and use goods and services. What price will a consumer be willing to pay? What goods and services provide a consumer with utility, which in economics means satisfaction?

Economics obviously has to do with money. Production, distribution, and consumption generate income for individuals and for businesses; and this income enables more production, distribution, and consumption. Banks and other financial institutions provide people with a place to keep their money safely. Banks use that money to invest in mortgages and in loans to businesses so that banks can earn more money.

Behind these issues are policy questions that the government addresses. What trade policies and regulations of business should the government pursue to enable the most effective production, distribution, and consumption of goods and services? What policies regarding money should the government pursue to encourage a stable and growing economy? How should the government generate funding for its programs through taxes on the production, distribution, and consumption of goods and services?

As you can see, economics deals with the ways that many aspects of life work together.

Economics as Science and Art

Economics is a science, but not in the same way that chemistry is a science. As a social science, economics identifies principles, which are sometimes even called laws, based on what has generally happened in financial or business activity. But economics studies human behavior, and humans have the ability to choose their behavior whereas chemical compounds do not. The economic behavior being studied might be that of an individual, a group, a locality, a business, an industry, a nation, or even the entire world. Moreover, economics assumes that people make rational decisions; but of course they do not always do so. Economists can attempt to predict the outcomes of certain behaviors and patterns of activity, but (1) they might be wrong and (2) the outcomes might take years to occur.

As you study economics, you need to remember that the world economy is constantly changing. New economic realities, such as major technological changes, come into existence. Traditionally accepted definitions run up against new situations. For instance, the classic simple distinction between a capitalist economy and a command economy does not have a clear category for what happened during the economic recession of 2007-2009, when the capitalist American government oversaw the merger of investment companies and took over private enterprises. Economic assumptions often have to change to meet these new realities.

Economists have their own opinions about why certain things have happened and what they think should happen. Two economists can come to quite different conclusions about what caused a particular economic trend or event, and they can offer different ideas about what they think should happen in the future. In other words, economists are interested in the way things are; but they are also interested in the way they think things ought to be. In this curriculum we will try to offer a basic understanding of how the economy works, and we will try to present fairly opposing ideas on economic issues; but we too have opinions about certain matters, and those opinions will be obvious from time to time.

So get ready for a study of a field that is constantly changing, a field that examines financial activities which affect the entire globe, but a field that also has something to say about your personal resources. After all, God cares about the decisions you make regarding what He places in your care.

And the Lord said, "Who then is the faithful and sensible steward,
whom his master will put in charge of his servants,
to give them their rations at the proper time?
Blessed is that slave whom his master finds so doing when he comes.
Truly I say to you that he will put him in charge of all his possessions."
Luke 12:42-44

Assignments for Lesson 1

Literature Read "Who, What, How, Why, and Why Not: A Primer for Literary Analysis of Fiction," available on page 3 of the *Student Review* or on our website.

Begin reading *Silas Marner*. Plan to finish it by the end of Unit 3.

Project Choose your project for this unit and start working on it.

Student Review Answer the questions for Lesson 1.

Auto worker in Russia (1969)

2 Big Topics in Economics

There's no such thing as a free lunch.

— Anonymous

Webster defines an economy as "the structure or conditions of economic life in a country, area, or period." Economists recognize two basic kinds of economic systems. One is called the *market*, *free market*, or *capitalist* economy. In this system, private individuals own the means of production, meaning the capital by which people produce goods and services. Suppliers are free to offer whatever goods and services they wish, and buyers are free to obtain whatever goods and services they can afford. The only limitation that suppliers have is their production capability, and the only limitation buyers have is what producers offer in the market and what buyers can afford. The United States has traditionally had a market economy.

The other major type of economic system is the *command* economy, in which some authority (usually the government) dictates what and how much producers will produce. Another term that people often use to describe this kind of economy is *socialist*. Under socialism, the state or the government, in the name of the people as a whole, owns the means of production. Everyone works for the government in a command economy, since the government has final say over what people do. The decisions that people in government make regarding what workers produce do not necessarily reflect what buyers actually want. Instead, those decisions reflect the priorities or wishes of government leaders, which might have little to do with the actual economic wants and needs of the people.

A command economy limits what buyers will be able to obtain because the government, not suppliers or the marketplace, determines what producers will produce. In addition, because a command economy does not consistently reward productivity and does not provide the motivation for profits, goods are not as readily available and the system hampers innovation. Buyers in a command economy on average have less money to buy goods and services than do people in market economies because the government sets wages, which often do not accurately reflect workers' effort or ability. This is another limitation on what people can obtain. Also, governments can ration goods and services to the people, even if the people pay for them. The government can declare, for instance, that an individual can purchase no more than ten gallons of gasoline per week. This is yet another way in which a command economy limits choices for buyers.

However, modern economies are usually not purely market or purely command. An economy that has elements of both market and command economies is called a *mixed* economy. This describes most national economies today, although most economies lean toward either being more free market or more command. In countries that most people consider to be capitalist, for instance, the government owns or oversees parts of the economy to varying degrees. Examples are socialized health care and government-owned transportation systems. This is common in the countries of Western Europe. In the United States, the federal government has created businesses such as Amtrak for passenger rail service and the Tennessee Valley Authority, which generates electricity for much of the southeastern part of the country.

A free market economy also has government regulations that affect supply and demand. For instance, ever since the New Deal policies President Franklin Roosevelt instituted during the Great Depression of the 1930s, farmers have deliberately grown lower quantities of certain crops than was possible. The federal government pays subsidies to farmers for not growing more as a way to boost farmers' income. This policy limits supply and causes prices for consumers to be higher.

On the other hand, though China has traditionally had a command economy, market forces are growing within that country. The government has allowed a limited number of private, capitalist enterprises to operate alongside the government-controlled businesses.

Countries that once had command economies but are now developing market economies are sometimes called *transition* economies. Former Communist countries in Eastern Europe are in this category. They are moving toward free markets, but

Amtrak train in Bakersfield, California, celebrating the 40th anniversary of the rail service in 2011.

the change from a command economy is neither quick nor painless. People who have been subject to government dictates for decades have to learn how to operate in freedom.

A Focus on the American Economy

In this curriculum, our main emphasis is on the economy of the United States. We examine such topics as the production and distribution of goods and services; the supply of and demand for these goods and services in the marketplace; the prices that these goods and services bear; competition in the marketplace among those who supply the same or similar goods and services; the income that people receive; how the operation of businesses in the marketplace affects business owners, workers, and the public; how money works in an economy; the role of banking, saving, and investment; government policies regarding taxation, regulations that deal with business activity, and government spending for its operation and for programs that the government decides to fund; matters such as inflation, economic expansions, economic recessions, and the business cycle; agricultural production and sales; international trade, which includes government policies that encourage or discourage trade and the exchange rate for the various national currencies; and much more.

But what comes first in a study of economics? How does an economy develop and grow? How did we get where we are in our economy, and how should we go on from here? In this lesson and the next, we outline a basic approach to understanding economics. To do this, we will use some simple, idealized models. A common practice in economics is the creation of a simple model that illustrates principles. Real life doesn't usually happen exactly the way that the model describes, but the model isolates important principles so that we can understand how those principles work in the complex web of economic life.

Specialization, Interdependence, and Choices

Imagine a society in which each person works to support himself. Each person sees his well-being as completely a matter of personal responsibility. He grows his own food, makes his own clothes, and builds his own house. If an individual wants a horse, he captures it and tames it himself. If a family wants meat, someone in the family goes hunting to kill an animal or captures animals to domesticate them. Individuals might claim property as their own; or the community might hold property as a tribe and challenge the claims that other tribes make for that property.

Economic interdependence comes when people begin specializing in certain kinds of work that they perform for others and for which they receive payment of some kind. For instance, people might recognize one person for his good work in building houses, so they ask him to build houses for them. Community members recognize someone else as a skilled hunter, yet another for making clothes or pottery. The people of this society realize that they will be better off if they trade the goods or services that they each do well (meaning what they do more efficiently or with better quality). This is called *specialization of labor*. When people begin concentrating on their specialized skills, they become interdependent on each other for their well-being and sometimes even for their existence.

This interdependence requires some adjustments and some new decisions. Making a decision to do something involves, by default, deciding not to do other things. In other words, whenever anyone makes a decision to do A, they are also deciding not to do B, C, or D. This introduces the principle of *opportunity cost*: the real cost of doing or making one thing includes the cost of not doing or making something else.

Economics involves choices. If you choose to buy a soft drink, you give up the ability to use that same money to buy a candy bar or to save it in a bank. When people realize that they are better off concentrating on certain skills and depending on others for other goods and services, they begin to experience the principle of *comparative advantage.* Producer A has a comparative advantage over Producer B when Producer A has a smaller opportunity cost (that is, when he gives up less) than Producer B. We'll talk more about these terms and their meaning later in the curriculum.

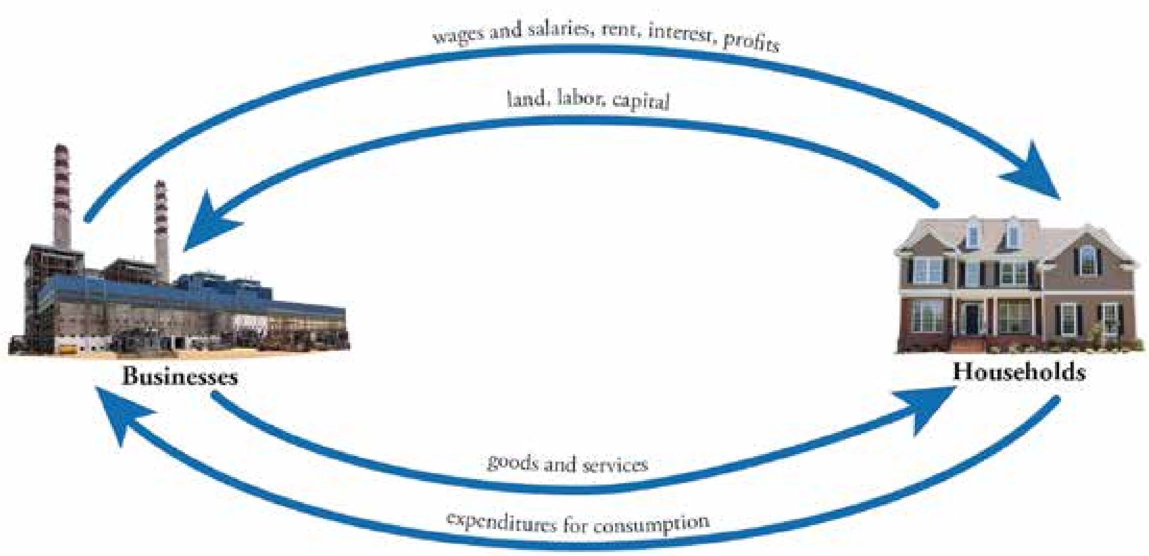
As we mentioned earlier, an economy never stands still. The issues never stay the same. Someone develops a better way to build houses, someone discovers iron and others discover ways to use it, someone invents the automobile, someone else develops the personal computer, and on it goes. When someone develops a better, faster, or cheaper way to accomplish a goal, once-thriving industries—such as the production, distribution, and use of typewriters or film cameras—can shrink dramatically.

These examples demonstrate the role of innovation and productivity in an economy. Increased demand for goods and services means that more people can find jobs in those industries; decreased demand (or greater efficiency or moving a factory overseas) means that fewer people work in a given industry, at least in a certain country. We will discuss other ways that an economy grows or shrinks in a later lesson.

In the past, a society might have operated for some time with little concern that any resource they need might be in short supply. It might appear that there is no shortage of animals, trees, grain, or any other resource. At some point, however, the society will likely realize that the resources it wants and needs are not limitless. Perhaps the population grows to the point that the people need more grain or wood or land than the country has. Perhaps those who have been hunters can no longer provide meat for the growing population. These shortages mean that the people in this society have to make choices about what they do with their limited resources.

The Circular-Flow Diagram

One way to illustrate how an economy operates is with a circular-flow diagram, as seen below. The simplest form has two entities—households (which includes individuals) and businesses. The arrows indicate the direction in which the elements flow.



People provide the land, labor, and capital (which includes machinery and other means of production) that create businesses. Businesses produce goods and services which they offer to the people. The people expend their resources to consume the goods and services that businesses provide. Businesses use the income they receive from these sales to pay for the land and facilities and to pay workers with salaries or wages. Businesses pay back any loans they have taken out that enable them to operate, plus interest on those loans. After paying for these expenses and the cost of the materials of the goods and services they have produced, anything left over is profit. A business might share its profit among its owners, but the owners will likely reinvest some of the profit back into the business so that it can produce more goods and services or produce them more efficiently.

The flows that the arrows in the diagram on page 12 indicate are continuous and enable the other flows to occur. Households must provide businesses with people and resources in order for businesses to be able to produce goods and services. Businesses must provide goods and services for people to have something to buy and consume. People must buy goods and services for businesses to be able to pay salaries and expenses. Businesses must pay salaries and wages for households to be able to buy goods and services. And on and on it goes.

The circular-flow diagram on this page is more complex but more realistic because we have added three more elements. First, all of the arrows flow through markets, which are places where goods and services are bought and sold. Businesses offer goods and services in a market, where households buy them. Households offer land, labor, and capital in real estate, labor, and financial markets. Individuals consider where they can earn the most money and businesses try to find the best labor at the lowest price. Businesses try to minimize their costs and maximize their profits.

Second, some of these activities go through the sphere of international trade. People invest in companies that operate in other countries, companies ship their products to consumers in other countries, some of what people buy comes from other countries, and some companies pay workers in other countries. Some of that overseas activity comes back to the country from which it originated. For instance, companies sometimes invest profits in countries other than where they make those profits. Many people outside of the United States, for instance, invest in American companies.

Furniture store

Third, another sphere through which the arrows flow is the government. From the buying and selling that takes place in the markets, government takes money in the form of taxes. Government then spends that money by paying government workers (who then become consumers) and by providing certain services to certain people. Sometimes businesses provide goods and services to the government, such as military equipment. In these transactions, the government is a consumer.

As a general rule, government does not create wealth. Instead, the wealth that people create in the market provides funding for government operations. Government might enable people to create wealth, by funding certain experimental projects, for instance; but the work and ingenuity of people create the wealth.

The Market, Supply and Demand, and Prices

People who specialize their efforts in certain ways and who offer their goods and services to others for a price create a market. A market operates on the principle of supply and demand. A market involves the relationship between the supply of goods and services that people want to sell, and the demand for those goods and services by people who want to buy. The market enables the transaction to take place. In the market, suppliers learn what people want and are willing to pay for, and consumers reward with their purchases those suppliers who provide what they want and need. Of course, the same people can be both suppliers and consumers. For instance, the person who supplies horses will also want food and clothes.

The law of supply and demand works because of the power of prices. Prices in the marketplace determine whether an individual or a company can survive in the marketplace by supplying goods or services at a certain price and then obtaining other goods and services from other suppliers at certain prices. Prices also determine whether customers will be able to afford the goods and services offered.

A supplier charges a price for his goods or service such that, when he receives payment, it makes it worth his effort. If, for example, someone who does lawn care charges less than his expenses for gasoline and equipment, he will soon go out of business. At the same time, the price he charges must be reasonable given the level of competition in the marketplace. If he charges significantly more than what others who supply lawn care charge for comparable service, he will likewise soon go out of business. His charges must be low enough given the competition in the marketplace and high enough for him to make a profit from his work.

Money as a Medium of Exchange

Barter involves the exchange of goods or services in which people determine equivalent values. For instance, if I make a table for you in exchange for your providing me with a horse, that is a barter exchange. This process works well in some situations.

Paper currency from various countries

However, if I need a horse but you do not need a table, what do I do? The resolution of this dilemma is the use of a common medium of exchange that has value to all parties involved. This medium of exchange is called money.

Money has no value in and of itself. If someone had a million U.S. dollars on a desert island or in a society that did not accept American money, those dollars would be worthless. Money only has value in terms of what it enables a person to obtain. In our society, money is a medium of exchange that enables a person to obtain goods and services that he or she wants or needs. Money makes economic activity easier because people only have to determine the value of something in terms of money and not in terms of pigs, chickens, ears of corn, car washes, piano lessons, or anything else they might exchange for the item.

As we study economics, we should remember that all we have is a gift and a trust from God.

Furthermore, as for every man to whom God has given riches and wealth, He has also empowered him to eat from them and to receive his reward and rejoice in his labor; this is the gift of God.
Ecclesiastes 5:19

Assignments for Lesson 2

Making Choices Read "I, Pencil" (pages 1-6).

Literature Continue reading *Silas Marner*.

Project Continue working on your project for this unit.

Student Review Answer the questions for Lesson 2.

Port of Singapore

3 More Big Topics

Labor can do nothing without capital, capital nothing without labor, and neither labor nor capital can do anything without the guiding genius of management; and management, however wise its genius may be, can do nothing without the privileges which the community affords.

— W. L. Mackenzie King, Canadian politician (1919)

International Trade

The American economy involves more than the goods and services produced within our own country. Our economy is engaged in the world market of international trade. For instance, some of the oil we use comes from outside of our country; and the demand for oil by other countries affects the supply of oil that is available to us. In addition, many of the products that American stores offer for sale come from foreign countries. At the same time, people in other countries buy much of what producers make in this country. The United States exports more merchandise than any other country except China.

Some American companies have found that it is more profitable for them to manufacture their products overseas where labor is cheaper, while workers in the United States do the research and development and marketing of those products.

The story of international trade is complex. It involves what happens in many nations, not just ours. Some of those countries do not share our commitment to freedom and do not play by the same rules we prefer regarding free trade. In addition, political instability is a reality in many places around the globe; and war and revolutions can affect trade. Besides the heartwrenching personal impact, such instability affects the economy. Workers may have to leave their work to fight in the army. They might even be wounded or killed as a result of war. Conflict destroys factories and farmland and disrupts business within the country and trade with other countries.

Business and Labor

In the American economy, individuals offer goods and services to others, submitting themselves to the law of supply and demand, and depending on the principle of prices to help them make a profit. But the situation is much more complex than that.

Individuals do offer goods and services, but our economy also involves thousands of companies that employ millions of workers. The dynamics of business and labor in the United States create most of the energy that runs the engine of our economy.

Owners of companies make goods and services available to American consumers. This process has many steps. Beyond the cost of making the goods themselves, businesses have to deal with additional costs of production such as the expense of building and maintaining a factory. They have to cope with competition from other companies, which might make newer or more innovative versions of the products. Companies grow because of investments—money that allows them to build more production capacity and hire more workers. Investments happen when people part with money that they could spend on something else in order to take a risk on a business venture.

Workers produce goods and services. These laborers want to be paid at a level that is commensurate with their efforts. Workers want a decent wage and usually some fringe benefits, which companies have to pay for out of the income they receive by selling the goods and services that they offer. These workers have to receive training to do the work that a constantly-changing economy needs. Many workers organize themselves into labor unions, which negotiate with business owners as large groups of workers who want higher wages and benefits. However, in the United States, most workers choose not to be members of unions. We will examine the pros and cons of labor unions later.

Government

Government has an impact on the economy in several ways. One way is through taxation. For instance, when government places high taxes on income, this discourages efforts by individuals to generate more income, since much of what they earn has to go to the government. High taxes on corporate profits mean that corporations have less money to invest in their own growth.

Taxes placed on imported goods are called tariffs. These cause imported goods to cost more. The higher price means that fewer of these imported goods will likely be sold in the importing country. High tariffs also discourage exports, since people in other countries will have less money to buy goods that we might export if Americans buy few of the goods they produce. Tariffs sometimes cause trade wars, in which a country retaliates against another country for a high tariff placed on its exports by imposing tariffs on what the other country wants to export. Tariffs tend to cause higher prices for goods made within a country, since domestic manufacturers have protection from competition with cheaper imports. Domestic companies therefore have less incentive to reduce their production costs. Higher prices usually mean that consumers will buy fewer goods.

Another way that government affects the economy is through the policies it enacts. For instance, a government might ban completely the importation of certain goods. That country will then find it hard to sell its goods to countries which produce the banned goods. Also, most economists believe that a government policy of setting a minimum wage discourages the hiring of young, low-skilled workers. This contributes to higher unemployment, even though raising the minimum wage is often a politically popular action. If the government has a practice of spending more than the revenue it receives, it has to borrow money to fund some of its programs. This obligates some of the money that could be invested in business growth.

A third way that the government influences the economy is through regulations that it places on businesses. If the government requires a factory to install a sprinkler system and place fire extinguishers every seventy-five feet, the company has to pay for those items. The company passes on the costs to consumers in the form of higher prices, which can discourage buying. If the government requires

Officials use x-rays to scan a cargo truck crossing the border from Germany into Switzerland.

pollution control systems on cars, carmakers will pass on the cost for these systems to the consumer. If the government requires companies to complete many documents regarding hiring practices, safety measures, or other matters, companies might have to hire additional workers to comply with those requirements, which again increases the cost of production.

Sometimes these regulations are worthwhile in the overall picture. For instance, the government might require that factory owners install pollution control systems. These will add to the cost of producing goods. However, without regulation companies may poison streams and air, which increases health problems among the population. These health problems have an economic cost as well as a personal cost. Environmental impacts are *externalities*. This term refers to economic effects external to the direct production of goods but which are a reality nonetheless. As you can see, even a government policy of doing nothing still reflects an economic policy decision and has an impact.

A fourth way that government influences the economy is by its monetary policy. Most countries have a central bank, which oversees the money supply. Governments also have treasury departments that develop and apply monetary policies. We will see that monetary policy has a significant impact on the economy.

Surf shop in Kona, Hawaii

Economic Institutions

In a free economy, producing goods and services to meet the demands of consumers, creating markets for the sale or exchange of goods and services, and setting prices for those goods and services, all take place without coordination by any individuals or groups. However, when people perceive a need, they take action to organize institutions to meet those needs, including institutions that help the economy operate. Among these institutions are corporations, labor unions, banks and other financial establishments.

In addition, people develop rules for the just and orderly operation of the market. The legal system codifies rules which participants in the economic system must follow for the good of everyone involved. These laws deal with such matters as truthfulness in advertising, the forbidding of actions that would hinder free and fair trade, the sanctity of contracts, the safety of goods sold in the market, and other issues that relate to the operation of the economy.

The institution of the rights of property owners is a vital element of a successful market economy. Property owners have rights because of their status as owners, and they have legal protection against individuals or the government encroaching upon their property or unreasonably seizing their property. If property were subject to whatever the government or another individual might want to do, property ownership would have little value and property owners would have little motivation to use their property to contribute to the economy.

Measuring and Defining the Economy

Anecdotes about a factory closing or a business doing well are not sufficient to give us an accurate picture of the overall economy. Economists, government officials, and the public want to know in specific, objective terms how the economy is functioning. Economists have devised several ways to measure economic activity. The single statistic that provides the broadest picture is the gross domestic product or GDP, which is a measure of the value of all of the finished goods and services produced within a country.

Economists have devised many other means of evaluating the state of the economy, including the rate of inflation, the unemployment rate (the percentage of potential workers who do not have jobs), household income, the poverty rate (the percentage of the population that lives below what the government determines to be the minimum income to provide needed goods and services), home sales, and home construction activity.

Moreover, economists have developed many terms that they use to analyze economic activity. For instance, economists talk about macroeconomics and microeconomics. Macroeconomics looks at the big picture of the economy as a whole. It emphasizes such elements as a country's GDP, the rate of inflation, the unemployment rate, and the level of productivity. Macroeconomics considers how the various parts of an economy work together, whether that economy is local, national, or global. Microeconomics, by contrast, considers the small picture. It examines how individual households and companies make decisions, how buyers and sellers interact in the market, and other individual elements of an economy. We will discuss other specialized terms that economists use in later lessons.

Street vendor and general store in Corozal, Belize

Economics and You

One goal of a study of economics is to help you think the way an economist thinks. That might not sound very exciting, but thinking the way an economist thinks helps you to be engaged with the world in which you live. Life should be more than just reacting to situations around you. You will live more successfully if you don't just complain about high gasoline prices or shake your head when the government announces a new tax policy or a new regulation.

When you understand more about economics, you will realize that what seems like a good idea or a good development might not be so good after all, and that what might appear to be a step backwards could actually be helpful in the long run. With a better grasp of economics, you won't be in the dark, just working for a living, watching your money come in and go out, and voting for whoever makes the promises that you want to hear.

However, we also want to encourage you to think about economics as a Christian. That is, we hope that a commitment to God's principles in the Bible will guide your study of economics and all of your financial dealings throughout your life. These principles teach us how God wants us to view people, money, decisions, natural resources, and all other aspects of economic life. We hope that you will commit yourself to the way of honesty, righteousness, and trust in God instead of trusting in riches. "The earth is the Lord's, and all it contains; the world, and those who dwell in it" (Psalm 24:1). Since this is true, economics belongs to Him.

We should respect and seek to understand the value that God places on human beings and on all other aspects of His creation.

Are not two sparrows sold for a cent?
And yet not one of them will fall to the ground apart from your Father.
But the very hairs of your head are all numbered.
So do not fear; you are more valuable than many sparrows.
Matthew 10:29-31

Assignments for Lesson 3

Literature Continue reading *Silas Marner*.

Project Continue working on your project for this unit.

Student Review Answer the questions for Lesson 3.

Adam Smith statue in Edinburgh, Scotland

4 Superstars of Economics

Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism but peace, easy taxes, and a tolerable administration of justice: all the rest being brought about by the natural course of things.
— Adam Smith, 1755 lecture

Many people have studied economics. Some have had a significant and lasting impact on the field. Two men, one who lived in the eighteenth century and one who lived in the nineteenth century, represent two major schools of economic thought. One man's work was the basis for capitalism, while the other provided the foundation for command economies or socialism. Each man has had devoted followers who believe that his ideas best describe how a healthy economic system should work.

This lesson introduces these men and their ideas. While economics includes a great deal about theories and numbers, we should not forget—as these men did not forget—that in economics we are talking about human beings and how they think and act.

Life of Adam Smith (1723-1790)

Adam Smith, a Scottish philosopher, is often called the father of modern economics. In 1776 he published *An Inquiry into the Nature and Causes of the Wealth of Nations* (commonly shortened to *The Wealth of Nations*). Many people see this as the beginning of the study of economics as an independent discipline.

Adam Smith was born in Kirkcaldy, Scotland, in 1723. His father died about six months before he was born. Adam enrolled at the University of Glasgow at the age of fourteen. In 1740, he undertook studies in Oxford, England; but Smith was not happy there and left in 1746.

With help from a patron, Smith began giving lectures in Edinburgh on various subjects. In 1751, he began teaching at Glasgow University. Smith published *The Theory of Moral Sentiments* in 1759. In this book, he claimed that the human ability to develop moral thinking and demonstrate concern for others came from a person's interaction with other people. He claimed that this ability to interact with others overcame a person's basic self-interest.

Smith also developed his thinking about economics. In 1763, he accepted an offer to be the private tutor to Henry Scott, the Duke of Buccleuch, at a salary much greater than what he received at Glasgow University. In this new role, Smith traveled with Scott to Europe, where he met many intellectuals, such as French philosopher Voltaire and American statesman Benjamin Franklin.

Smith's work as a tutor ended in 1766, when he returned to his hometown and began work on a treatise on economics. He published *The Wealth of Nations* ten years later, and it met with immediate success. The book went through five editions during his lifetime.

In 1778, Smith received an appointment as a commissioner of customs. He moved to Edinburgh and lived with his mother. Adam Smith never married. He died in 1790.

The Wealth of Nations

Like many influential books and leaders, Smith's work both reflected the tide of the times and also furthered important concepts. The prevailing economic philosophy in the 1700s was mercantilism, in which the king and his small group of advisors guided and encouraged economic development by granting favors to certain individuals and groups. Mercantilism envisioned an economy that operated from the top down. The primary determinant of the wealth that a nation possessed was the amount of gold and silver that a king or government controlled. A country could increase its holdings of gold and silver by exploring and by trading with other countries.

Smith challenged this belief by proposing that the real "wealth of nations" lay in the labor that its citizens supplied in producing the "necessaries and conveniences" which the nation either consumed or traded with other nations. Rather than taking a top-down view of economic activity, Smith said that the economy actually developed from the bottom up, as the labor of the people of a nation powered the economic machine that generated wealth. Smith claimed that, rather than economic success coming from the decisions of the king, the most significant economic growth occurred when the government stayed out of the way and let the operations of an unhampered market produce profits for its participants (and also for the king).

In Smith's view, a natural order exists in the world which, when people respect it and allow it to function, produces what is good. A part of this natural order is the right of people to pursue the work they want to do or feel a need to do. What people produce by their labor is the result of each person's self-interest. The butcher, for instance, sells meat not primarily because he wants to provide food for other people but because he wants to have enough income to feed his own family. The baker sells bread for the same reason.

This pursuit of mutual self-interest by all of those in a free market leads not to chaos or merciless competition but to the availability of goods and services that all people can purchase with the profits of their own labor. The goods and services

Engraving of Adam Smith by John Kay (1790)

The Baker's Cart, *Jean Michelin (French, 1656)*

that producers offer, the amount of each that they produce, and the prices they charge for those goods and services are best established not by government decree but by what Smith called the "invisible hand" of the market. Just as these principles apply to economic activity within a nation, they also apply to trade among the nations. Thus, Smith advocated free trade, regulated only by the forces of supply and demand in the international market.

After laying down these principles, Smith examined such topics as money, prices, wages, capital, and the role of government. Government, he said, influenced economics by its policies, by treaties between nations, by maintaining subservient colonies, by the nature and amount of revenue it collected, and by the debt that it accumulated. Throughout his book, Smith advocated respect for man's freedom and warned against government action that hindered national (and thus individual) well-being. However, Smith also warned that the self-interest of businessmen can hurt people when that self-interest limits competition and access to goods and services. Government's best remedy for such injuries is not intervening in the market any further than simply preventing a monopoly. Competition, he said, is part of the natural order and will rectify any inequities.

Smith's ideas had wide influence. They were a key foundation of what became known as *laissez faire* economics. The term is French for "allow to do," and those who advocated this policy wanted government to refrain from any regulation of economic activity.

As a result of Smith's insights, government control of the economy through mercantilism gave way in much of the western world to capitalism and greater freedom of economic activity for individuals and companies, although tariffs continued to be a common way for governments to try to generate revenue and to control international trade.

Critics of Smith's ideas have questioned whether the "invisible hand" really exists. They have noted that Smith assumed that producers and consumers always make rational decisions, which they do not. Critics have also pointed to decisions by business owners in unregulated economies that have exploited workers and consumers who lacked basic protections that government can offer.

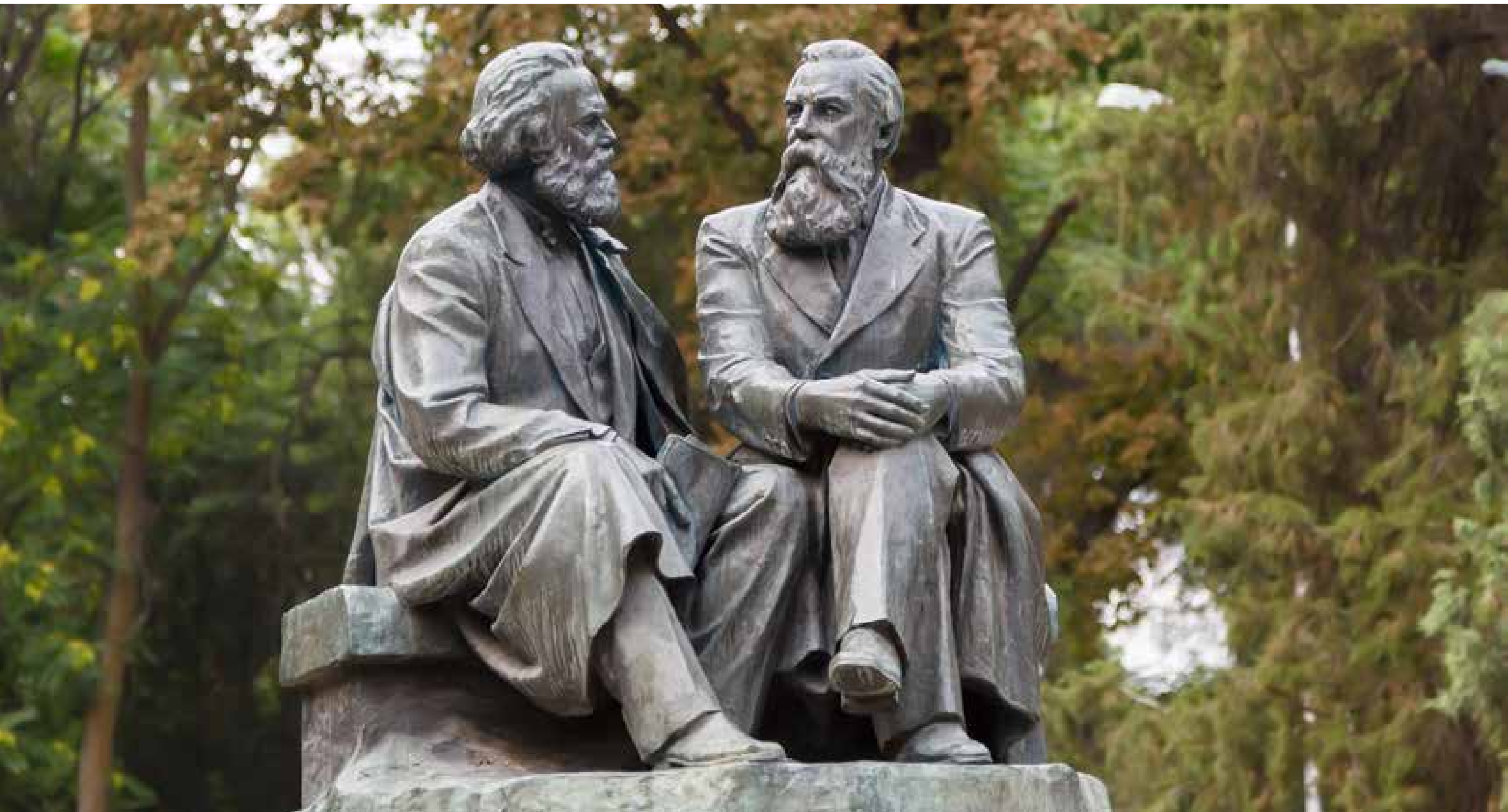
Life of Karl Marx (1818-1883)

The best-known economic theorist of the nineteenth century, Karl Marx, was born in Trier, Prussia, in 1818. His father was ethnically Jewish but converted to Lutheranism in order to be able to practice law. Marx was educated at home until he was thirteen and then at the Trier Gymnasium school. He later studied at the University of Bonn and Humboldt University in Berlin. Marx received a doctorate in 1841.

During his university studies, Marx became a radical revolutionary thinker. The philosophy of George W. F. Hegel (1770-1831) was a major influence on Marx. According to Hegel's theory of the historical dialectic, an idea, which Hegel called the thesis, becomes dominant in some field of thought. Then people arise who oppose this idea; their thinking is called the antithesis. The result of the debate between proponents of the two ideas is a new idea, or the synthesis. The synthesis then becomes the new thesis, and the process begins anew. Marx believed that this is how philosophies develop. He also believed that he was part of the movement proposing the antithesis to traditional political and economic thinking.

In 1843, Marx moved to Paris, where he lived among political radicals and worked for a radical

Statue of Karl Marx (left) and Friedrich Engels in Bishkek, Kyrgyzstan



newspaper. While there, he developed a close working relationship with Friedrich Engels, with whom he collaborated for the rest of his life. Marx was expelled from Paris in 1848 after he wrote an article that praised an assassination attempt on the king of Prussia.

Marx relocated to Brussels, Belgium, where he and Engels co-wrote a relatively short book called *The Communist Manifesto*. They wrote this statement of revolutionary principles on behalf of a labor organization. Marx was thereupon expelled from Brussels. He settled in London, where he lived from 1849 until his death in 1883.

Marx had a relatively secure financial situation until he moved to London. There he and his family lived in largely impoverished conditions, being supported in great measure by Engels while Marx did research on his ultimate work on economics, *Das Kapital* (*Capital*). Marx had married in 1843; he and his wife had seven children, three of whom lived to adulthood. Marx suffered from poor health during his declining years.

The first volume of *Das Kapital* was published in 1867. Two further volumes were published during his lifetime, and Engels helped to edit a fourth volume after Marx died.

The Economic Theories of Marx

Two important assumptions lay behind Marx's theories. First, he denied the spiritual realm. In 1843 he wrote, "Religion is the sigh of the oppressed creature, the heart of a heartless world, and the soul of soulless conditions. It is the opium of the people." As a result, Marx's dialectical theory of history has been called dialectical materialism. Second, as he said in *The Communist Manifesto*, "The history of all hitherto existing society is the history of class struggles," namely the ongoing struggle between the working class (the proletariat [pro-leh-TARE-e-aht]) and the ownership class (the bourgeoisie [bur-zwah-ZEE]).

In his day, as Marx saw it, owners controlled all of the means of production, including the machinery and the raw materials. The bourgeoisie needed the labor of the workers to enable the owners to make their profits, but the workers had no ownership in the fruits of their labor other than the wages for which they worked. As a result, the working class was exploited as well as alienated from their labor, the product of their labor, and other human beings.

Marx spoke of the labor theory of value. The value of a product—what society says it is worth—is derived from the labor needed to produce it. (This idea is somewhat similar to Smith's regarding the wealth of nations as coming from the labor of the people.) Profit, Marx said, is the surplus value charged by capitalist owners; but the workers do not receive any part of this. This arrangement handicapped the working class by putting them in a limited economic condition. According to Marx, this conflict between laborers who do not share in profits and capitalists who exploit the workers creates conditions of class struggle.

The working class, according to Marx, needed to develop a class consciousness. This awakening of workers to their true condition was a primary motivation for Marx's work. He wrote, "The workers of the world have nothing to lose but their chains. They have a world to win. Workers of the world, unite!" (*The Communist Manifesto*). Marx urged the overthrow of the bourgeoisie-controlled society, economy, and government, by force if necessary.

In his theory, the working class would then establish Communism, a socialist state run by the proletariat—actually, run on behalf of the people by central planners, an intellectual elite of whom Marx considered himself to be a member. In this Communist state, the workers themselves would own the means of production. As workers shared in the profits of the economy, states or governments around the world would wither away and society would be transformed into a utopian commune in which the workers would no longer be alienated from their labor or from other people.

Failings of Marxist Theory

Karl Marx began with faulty assumptions. He ignored the reality of the spiritual realm and its profound effect on the actions of mankind. His emphasis on class struggles is too simplistic an explanation for all of history. Society is more complicated than just two classes. The middle class was already emerging as Marx wrote, and the role of the middle or management class in the economy is significant. Also, people move from class to class depending on their circumstances. Some workers earn and save and become managers and even owners. Meanwhile, some owners lose what they have and become workers.

Labor is an important component of the value of what is produced. Owners have sometimes exploited workers. But that is not the whole story. For instance, thousands of farm and factory workers in Europe during the 1800s and early 1900s took matters into their own hands. They moved to the United States and greatly improved their circumstances. Moreover, profit does not just go into the pockets of owners. Instead, owners reinvest much of it into other business activities, which produce still more jobs. Profit margins for most businesses are fairly small, often about five percent or less of gross sales. In addition, profit is the reward for someone who takes the risk to create or invest in a business opportunity. Many such risks fail, and the result in those situations is not profit but loss.

Workers share in the value of goods above their wages. This sharing came about through years of conflict between labor and management; but many workers now have numerous benefits, such as health care, disability insurance, and retirement funds. Marx failed to anticipate the strength of the labor union movement, which gave workers more power within the capitalist system. In Western democracies, workers have been for the most part suspicious of Marxist ideas. Laborers have generally understood that democracy, not authoritarianism, gives them the best opportunity to enjoy better economic conditions.

Shoppers wait outside a store in Santa Clara, Cuba (2016)

The experience in many countries that have established command economies since the Russian Revolution of 1917 has been that such economies do not work as well as capitalist economies in bettering the economic conditions of the people. The absence of market conditions generally ruins an economy, while freedom and competition generally stimulate economic growth. Central planners who sit in offices in the national capital cannot possibly have enough information to guide a vast and complex farm economy or industrial economy throughout a large country. The information that an economy needs to operate successfully is held in small bits and pieces by millions of owners, managers, workers, and consumers who participate in and help maintain and grow a free economy.

Finally, no socialist state has ever withered away into utopian Communism. Communism became an authoritarian, non-democratic political system. In Communist countries, huge new socialist bureaucracies developed, including planners, propagandists, a security (spy) apparatus, and military personnel, all of whom prop up the tiny ruling clique that develops its own elite lifestyle and self-perpetuating control of power in the name of the people.

No Communist country has evolved into a worker's paradise. The excuse that Communist leaders give for the continuation of the command state is the supposed threat of greedy capitalists and imperialists who stand in the way of the well-being of the innocent millions in the people's republics. But the movement toward capitalism that has been taking place even in Communist countries is further evidence that Marx's theories are of dubious relevance to today's economic realities.

Contrasting Perspectives

Economic policies in the United States have generally reflected capitalist ideas. According to polls, a majority of Americans continue to support capitalism over socialism, though younger Americans are more likely to have a negative view of capitalism and a positive view of socialism. However, a very high percentage of Americans, including young Americans, say that they are in favor of free markets.

Many people do not understand from historical experience the difference between capitalism and socialism and the long-term effects of each. They may not understand that capitalism and a free-market economy are essentially the same thing. How some people were taught in school might have made socialism more attractive and capitalism more suspect. Some people might think of the widespread and increasing involvement of the government in the economy as a positive development and thus be favorable toward socialism. The economic difficulties during the recession of 2007-2009 might have led more people to be critical of capitalism.

Capitalism and socialism divide over a basic question: Who should make economic decisions? Adam Smith believed that these decisions should be spread as widely as possible throughout the economy. Producers and consumers are capable of making those decisions. They have the information they need to make those decisions, and they are directly affected by those decisions. Capitalism is based on a belief in human dignity and human freedom, a belief that individuals have the character and knowledge necessary to bring about the best results for the most people.

Karl Marx, on the other hand, believed that economic decisions are best made by a select few within the government for the benefit of all the people. These leaders would supposedly know best what needed to happen throughout the economy as a whole and would have a loyalty to the system. The basis of socialism is the belief that people need to be managed and regulated—managed and regulated, of course, by other people who are subject to the same selfish drives that all people have.

Adam Smith and Karl Marx also gave opposing perspectives on the role of government. Smith advocated that the role of government in economic activity should be as limited as possible. Marx, on the other hand, advocated complete government control of the economy. According to Marxist theory, this would only be needed until the state withered away into utopian Communism. Since this has never happened, the reality is that the government controls the economy of Communist or socialist systems.

We do not have to choose either unregulated capitalism or a completely government-planned command economy. Capitalism has accomplished much good and has provided the most economic gain for the most people. At the same time, capitalists have not always treated workers, consumers, or the environment with respect. Experience has shown that the best approach is to have a basic policy of economic freedom that is guided by reasonable government regulation and oversight. This simple statement sounds good enough in theory, but how such an economy works in reality and the extent to which freedom and regulation should exist in an economy are questions that fuel the ongoing economic debate.

The Bible sometimes conveys spiritual truths in economic terms.

Ho! Every one who thirsts, come to the waters;
And you who have no money come, buy and eat.
Come, buy wine and milk without money and without cost.
Why do you spend money for what is not bread,
And your wages for what does not satisfy?
Listen carefully to Me, and eat what is good,
And delight yourself in abundance.
Isaiah 55:1-2

Assignments for Lesson 4

Making Choices Read the excerpts from *The Wealth of Nations* (pages 7-15).

Literature Continue reading *Silas Marner*.

Project Continue working on your project for this unit.

Student Review Answer the questions for Lesson 4.

Statues at the University of Vienna

5 More Big Names

Give me a one-handed economist. All my economists say, "On one hand... on the other..."

— Attributed to Harry Truman

Economists have lively and continuing discussions and debates, especially on the causes of economic growth and decline as well as what policies governments should implement to help the economy. These discussions and debates are often variations on the two poles of economic thought, the free market on one hand and government control on the other.

The Austrian School of Economics

A group of economists living and teaching in Vienna, Austria, in the late nineteenth and early twentieth century came to be called the Austrian School of Economics. Most economists see the 1871 publication of *Principles of Economics* by Carl Menger as the beginning point of this group's influence. The Austrian School, which continues in existence today, generally follows the principles of Adam Smith. They advocate the power of prices as the organizing principle of economics in the marketplace.

Adherents of the Austrian School advocate as little government involvement in and regulation of the economy as possible and tend toward libertarian ideas. Ron Paul, former Republican congressman from Texas and sometime candidate for the Republican presidential nomination, has been a strong advocate of the economic ideas of the Austrian School.

One of the best-known proponents of this position in the twentieth century was Ludwig von Mises (1881-1973). Mises was born to Jewish parents in Austria-Hungary (now the Ukraine). His family moved to Vienna when he was a child. Mises received a doctorate from the University of Vienna in 1906. He then taught at the university and was an economic advisor to the Austrian government. In 1934 Mises left Austria in the face of Nazi aggression and moved to Switzerland. In 1940 he took up residence in the United States. From 1945 to 1969 he taught at New York University. He did not hold a salaried position with the school, but was supported by individual businessmen.

Among the ideas for which Mises was known was his belief that command economies would eventually fail because government planners cannot organize a strong, complex economy. He believed that the absence of free-market competition

Ludwig von Mises

would make a command system unworkable. The downfall of the Soviet Union and Eastern European Communist countries near the end of the twentieth century vindicated Mises' beliefs.

One young man who studied under Mises in Vienna was Friedrich Hayek (1899-1992), a native of the city. Hayek began teaching at the London School of Economics in 1931 and eventually became a British citizen. In 1950, he began teaching at the University of Chicago. Like Mises, he was supported by individuals and was not a member of the economics faculty.

Hayek's most famous work is *The Road to Serfdom* (1944), in which he argued that a government-planned and government-controlled economy led to tyranny over the population because of the increasing amount of power that such a policy demanded. Economic control, Hayek claimed, would lead to the loss of political and personal freedoms as well. Hayek saw the Soviet Union and Nazi Germany as examples of countries that followed this path. The book had a profound impact on the thinking of U.S. President Ronald Reagan and British Prime Minister Margaret Thatcher.

Hayek was corecipient of the 1974 Nobel Prize in Economics. In 1991 President George H. W. Bush awarded Hayek the Presidential Medal of Freedom.

John Maynard Keynes (1883-1946)

The most influential economist of the twentieth century was John Maynard Keynes of England. Keynes (pronounced CANES) proposed government intervention to help overcome times of economic recession. Many consider him the father of the modern study of macroeconomics.

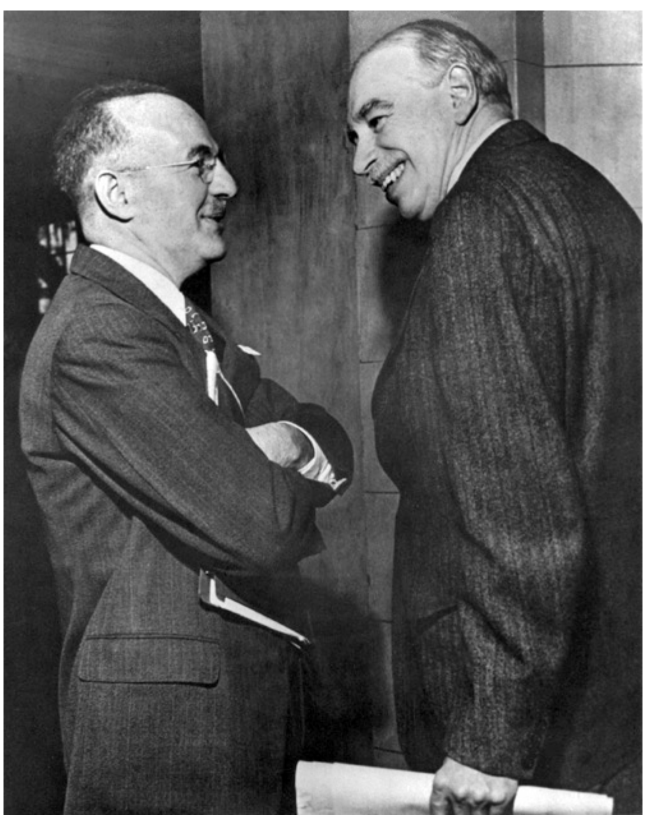
Keynes was the son of a Cambridge economics lecturer. The younger Keynes studied at Cambridge and became a lecturer in economics there as well. He was an economic advisor to the British government during the First World War and at the Versailles Peace Conference of 1919. Following the conclusion of the treaty, Keynes issued warnings about the harsh reparations that the victorious nations demanded of Germany. He feared that the payments would ruin the German economy and lead to renewed conflict in Europe. Unfortunately, his predictions came true.

In 1936, Keynes published his landmark book, *The General Theory of Employment, Interest, and Money*. A major emphasis in Keynes' work was the idea of aggregate or overall demand in an economy. Published during a world-wide depression, the book advocated government action, including deficit spending and the funding of public works, to stimulate aggregate demand when unemployment was high (aggregate demand is the total desire for all goods and services at one time by all groups within a nation).

Keynes only favored deficit spending in times of emergency and not as a general policy. These ideas influenced Franklin Roosevelt's New Deal policies, although the ideas had been circulating for some time. During World War II, Keynes advocated higher taxes instead of deficit spending to finance the war effort. He rejected Marxism as an obsolete theory "which I know not only to be scientifically erroneous but without interest or application to the modern world" (*Essays in Persuasion*, 1931).

Keynes was involved in the 1944 conference at Bretton Woods, New Hampshire, that created a global postwar economic system. The conference led to the creation of the World Bank, the International Monetary Fund, and the General Agreement on Tariffs and Trade. The Bretton Woods conference did not adopt Keynes' own specific proposals, but he endorsed the results of the conference. What happened at Bretton Woods took government involvement in the economy beyond the national level to the world level. Keynes died in 1946.

Harry Dexter White (left), Assistant Secretary of the U.S. Treasury, and John Maynard Keynes were attendees at the March 1946 inaugural meeting of the International Monetary Fund in Savannah, Georgia. Keynes died of a heart attack a few weeks later.



The idea of government involvement in and oversight of the economy has gained widespread acceptance since the New Deal of the 1930s. In 1965, during the growth of the Great Society programs of President Lyndon Johnson, *Time* magazine ran a cover story that highlighted Keynesian (pronounced CANES-ee-un) economics. In 1971, Republican President Richard Nixon said, "We are all Keynesians now," by which he meant that almost everyone supported the idea of government involvement in the economy to some degree.

For many people the debate has become not whether government should be involved in the economy, but to what extent it should be. Government has found that deficit spending as an ongoing policy, not just in emergencies, enables programs that lead to people becoming dependent on the government. Many will want to vote for candidates who propose continuation and expansion of government programs. The question of how to address the resulting government debt usually remains unaddressed. Liberals want to tax the rich, while conservatives want to cut spending. They seldom reach more than a short-term compromise, while the debt and the dependence on government both increase.

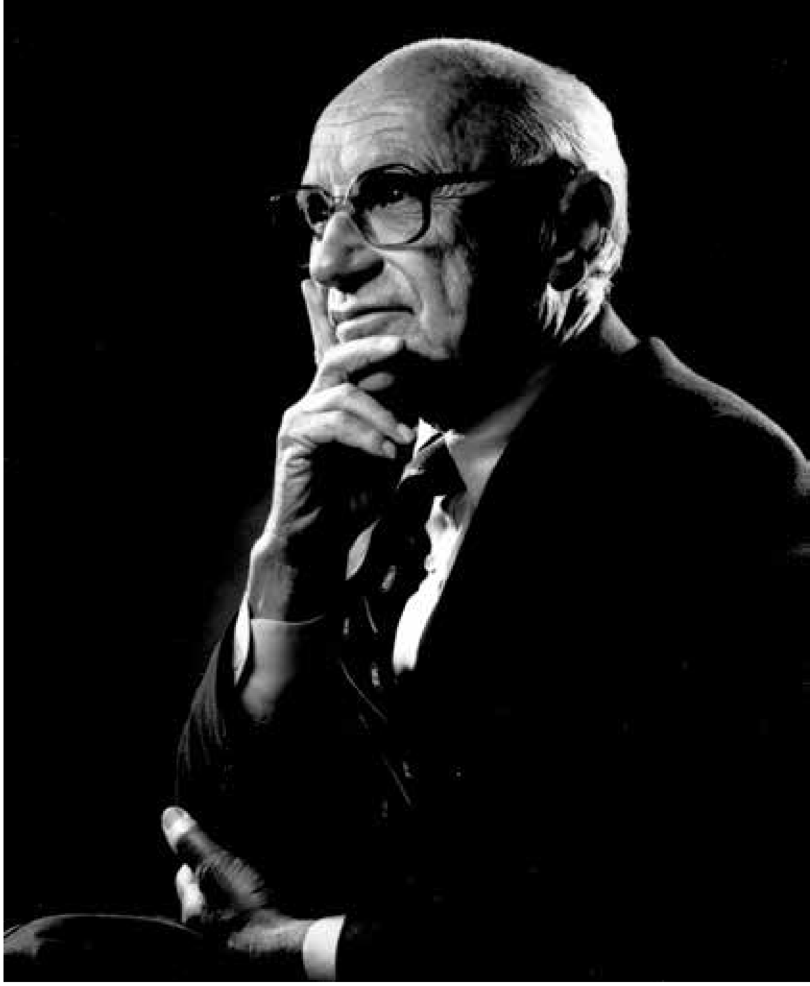
The pendulum swung back toward less government oversight of the economy during the 1980s. In his 1981 inaugural address, President Ronald Reagan said, "In this present crisis, government is not the solution to our problem; government is the problem." In his 1996 State of the Union speech, President Bill Clinton said, "The era of big government is over," although Clinton went on to say that citizens should not be left to fend for themselves. The economic meltdown of 2008, however, renewed calls for greater government involvement in the economy, a central Keynesian idea.

Milton Friedman (1912-2006)

A conservative economist who exerted significant influence in the last half of the twentieth century was Milton Friedman. He was born in Brooklyn, New York, of Jewish immigrants from Hungary (now the Ukraine). He attended Rutgers, the University of Chicago, and Columbia University, where he received a doctorate in 1946.

Friedman was originally a Keynesian and supported Franklin Roosevelt's New Deal programs, in which he was a participant. However, he came

Milton Friedman, pictured at right, influenced Gary Becker (1930-2014), his student and later colleague at the University of Chicago. Saieh Hall, pictured below, is home to the Becker Friedman Institute for Research in Economics at the University of Chicago.



to believe that those programs did not really help the economy or the long-term recovery from the Depression. Friedman taught at the University of Chicago for thirty years, beginning in 1946, and was a leader in what became known as the Chicago School of Economics. He later worked with the Hoover Institution at Stanford University in California.

One of the key ideas that Friedman developed was that of monetarism, which highlights the role of money in the economy. Friedman believed that the Great Depression was primarily caused by a failure of the Federal Reserve System to maintain an adequate supply of money to help the economy grow. This contraction of the money supply prolonged and deepened the effect of the business downturn that began in 1929. We will study the Federal Reserve System in Lesson 35, and we will discuss the Great Depression in Lesson 69.

Paul Krugman in Stockholm, Sweden, to receive his Nobel Prize in economics.

Friedman advocated a steady expansion of the money supply as a policy to promote strong but manageable economic growth. He opposed almost all government regulation of any kind.

Friedman received the Nobel Prize in economics in 1976. In 1980, Friedman and his wife Rose (also an economist) published *Free to Choose* and produced a ten-part PBS series by the same name, both of which promoted his free market views. The book was the best-selling non-fiction title of the year. Ronald Reagan awarded Friedman the Presidential Medal of Freedom in 1988.

The Debate Continues

The field of economics has many advocates who promote a wide variety of ideas and policies.

Gregory Mankiw (MAN-kew) is a professor of economics at Harvard University. He was chairman of the Council of Economic Advisors from 2003 to 2005 under President George W. Bush. Mankiw has been described as a New Keynesian economist. He sees some value in limited government intervention in the economy; but he supports free trade and limited government regulation. Mankiw's college economics textbooks have sold over one million copies.

Thomas Sowell is a fellow at the Hoover Institution at Stanford University. He has written numerous books and columns that reflect his conservative views on economics and politics. The Foundation for Economic Liberty and the Library of Economics and Liberty are two organizations that provide resources which support free market economic ideas.

One of the more prominent voices of liberal economics is Paul Krugman, a columnist for the *New York Times* and recipient of the 2008 Nobel Prize in economics.

You can hear many different and conflicting ideas from economists. Your challenge is to discern the truth amid all the varying opinions.

Without consultation, plans are frustrated,
But with many counselors they succeed.
Proverbs 15:22

Assignments for Lesson 5

Literature Continue reading *Silas Marner*.

Project Finish your project for this unit.

Student Review Answer the questions for Lesson 5 and take the quiz for Unit 1.


Jacob travelling to Egypt, *Wenceslaus Hollar (Czech, c. 1650)*

2 God's Economics, Part 1

This unit is the first of two that survey the teachings of Scripture regarding money and how the church has dealt with economic issues. How people think about and handle money is a major theme in Scripture. God promised His people that He would provide for them, and He taught His people to trust Him above material wealth. The Law of Moses included several provisions about economic issues that Israel would face. The Old Testament Scriptures and the Old Testament prophets spoke with convicting words about Israel's failure to handle money with godliness, and they taught many lessons about how God's people were to handle economic and financial issues. Money matters were a major topic in Jesus' teachings.

Books Used

The Bible
Making Choices
Silas Marner

Project
(choose one)

1) Write 300 to 500 words on one of the following topics:

- How would the economy change if people understood that they are stewards of the property, possessions, and money that belong to God instead of owners of them?

- Respond to the teaching of Jesus, "You cannot serve both God and wealth."

2) Discuss with your parents a specific project your family can do to help the poor. Consider programs organized by your church or other local churches (such as a food pantry, clothing distribution, or home repair) or with a local organization. With your parents involvement, plan and carry out this project.

3) Memorize Matthew 6:19-24.

6 The Lord Provides

For the Lord your God is bringing you into a good land . . . a land where you will eat food without scarcity, in which you will not lack anything.
— Deuteronomy 8:7-9

A basic principle of economics is that people have to make choices among alternative uses for scarce or limited resources. We do not have a limitless supply of everything we want, so we have to choose how to use the things we do have.

For instance, a person can use a particular piece of wood either to heat his home or to make a piece of furniture; but he cannot use the same piece of wood to do both. That person has to make a choice. The same is true with a quantity of oil. A person can use it to power a car or to make plastic, but he has to make a decision regarding which use he wants to make of it. Economics analyzes how and why people choose to use scarce or limited resources and what the consequences of those choices are.

The goal of this curriculum is to help you understand economics from a Biblical point of view. While it is true that you cannot make a fire and a table from the same piece of wood, God presents Himself in Scripture as the God not of scarcity but of abundance, as the verse above indicates. Thinking based on the assumption of scarcity can lead to an attitude of fear. On the other hand, thinking based on the assumption that God will provide leads to an attitude of trust.

Scripture tells us that, from the beginning, God provided abundantly for mankind in general and for His people in particular. When God created man, He placed him in a well-watered garden which produced everything of a material nature that Adam needed (Genesis 2:8-17). Even after Adam and Eve sinned, God provided them with clothes and with the opportunity to produce food from the ground (Genesis 3:21-23). After the flood, God gave animals and plants into the hands of Noah and his sons for their use (Genesis 9:2-3).

God continues to create resources. An acorn from an oak tree produces another oak tree. A kernel from a corn plant produces another corn plant. The winter snows in the mountains melt into the waters that irrigate the fields for another growing season. The compost that a gardener collects becomes the soil for next year's garden.

God's People Will Have Enough

God's will for His people is that, by His provision and as they live faithfully before Him, His people will have enough:

> I have been young and now I am old,
> Yet I have not seen the righteous forsaken
> Or his descendants begging bread.
> Psalm 37:25

> And my God will supply all your needs according to His riches in glory in Christ Jesus. Philippians 4:19

Material resources are indeed limited. Even with God's promise that His people will have enough, God's people still have to be good stewards and make wise choices regarding how they use the resources God gives them. His people might not always have everything they want, but they can count on having what they need.

> Make sure that your character is free from the love of money, being content with what you have; for He Himself has said, "I will never desert you, nor will I ever forsake you," so that we confidently say, "The Lord is my helper, I will not be afraid. What will man do to me?" Hebrews 13:5-6

These assurances do not mean that Christians will never face scarcity. Sometimes they have. In the book of Acts, a famine impoverished Christians in Jerusalem (Acts 11:27-28); but God provided what they needed. Believers in Antioch took up a collection to help them (Acts 11:29-30). Several years later, when Paul was on his third missionary journey, he collected money from churches to help "the poor among the saints in Jerusalem" (Romans 15:26; see also 2 Corinthians 8-9). The Christians in Jerusalem apparently dealt with scarcity for some time, but other Christians provided their needs by choosing to use their limited resources to help others.

At other times, when God's people have suffered from scarcity, it has been because of their unfaithfulness:

> "But I gave you also cleanness of teeth
> in all your cities
> And lack of bread in all your places,
> Yet you have not returned to Me,"
> declares the Lord. Amos 4:6

God's people can have a good life even without an abundance. The psalmist wrote that having a little with righteousness is better than having an abundance with wickedness:

> Better is the little of the righteous
> Than the abundance of many wicked.
> For the arms of the wicked will be broken,
> But the Lord sustains the righteous.
> Psalm 37:16-17

God's Economics in Genesis

In the book of Genesis, Canaan experienced a severe famine; but Abram was able to survive it by going to Egypt for a time (Genesis 12:10). Upon Abram's return, he and his nephew Lot were so wealthy that the same land could not support them both (Genesis 13:2-12). This was a case of abundant resources but scarce land.

By God's leading, Abraham's great-grandson Joseph was able to oversee the production of abundant food in Egypt to prepare for the years of famine that God had foretold (Genesis 41:46-49). Joseph's father Jacob and Joseph's brothers and their families in Canaan had enough wealth to buy grain in Egypt more than once during the famine (Genesis 42:1-5, 43:1-15). Canaan as a whole experienced scarcity, but Abraham's descendants had enough.

The economic conditions in Egypt during this famine illustrate the economic principle of supply and demand. The country experienced a scarcity of food. The supply of food was limited and the demand was great. As a result, the price of grain was high. The people of Egypt paid all of their money, then their livestock, and finally themselves to purchase grain. Then Joseph bought the land on behalf of Pharaoh, except for that which the priests owned. The people of Egypt became sharecroppers on the land that Pharaoh now owned. The people kept four-fifths of the crops for themselves and gave one-fifth to Pharaoh. While kings have often seen themselves as owning all of the land in their realms, in Egypt it became literally true (Genesis 47:13-26).

God's Provision for Israel

After the passage of time, another pharoah enslaved Abraham's descendants (the Israelites) because he feared their numbers (Exodus 1:8-14). Pharaoh thus exercised complete economic and physical control over the Israelites. However, God continued to care for them. When the plagues that God sent laid waste to Egypt, He spared the Israelites (see, for instance, Exodus 9:4). As the Israelites prepared to flee from Egypt in the exodus, God enabled them to gain significant wealth by allowing them to plunder the Egyptians simply by asking the Egyptians for silver, gold, and clothing (Exodus 3:21-22, 12:35-36).

God promised that He would provide for Israel by bringing them into a land "flowing with milk and honey" (Exodus 3:17). Before they got there, however, God led them through the wilderness for forty years. This was a time of scarcity that they had to endure because of their faithlessness (Numbers 14:33-34). Even there, God took care of the Israelites by giving them manna each morning, and He even kept their clothes from wearing out (Deuteronomy 8:3-4).

The Gathering of the Manna
Bernardino Luini (Italian, c. 1521)

The Lord promised that, in the land He was giving them, they would have an abundance of grain, wine, oil, and herds (Deuteronomy 7:13). Canaan would be for them a land that produced abundantly, "a land where you will eat food without scarcity, in which you will not lack anything," including even iron and copper (Deuteronomy 8:7-9).

Economic Aspects of the Law

While the Israelites camped at Mount Sinai, the Lord gave them the Law by which they were to live. Certain principles in the Law guided the economy that God established in Israel. First, Israel needed to remember God, "for it is He who is giving you the power to make wealth" (Deuteronomy 8:18). Second, the Israelites were to understand that God actually owned the land and that they were simply stewards of it, using it as aliens and strangers to produce crops (Leviticus 25:23).

Field in Israel

Third, they were to trust God enough to let the land lie fallow regularly to let it rest, during which time God would continue to provide for them (Leviticus 25:1-7). Fourth, Israel was to demonstrate holiness in their economic activity by being fair and honest, by not taking advantage of their fellow Israelites, and by being considerate of the poor (see especially Leviticus 19:9-18).

The Israelites were to plant and harvest for six years, but every seventh year was to be a sabbath rest for the land. In addition, every fiftieth year was to be a jubilee year. They were not to plant crops that year either, and land that had been sold was to be returned to the family to whom the Lord had given it originally (Leviticus 25:8-12). The 49th and 50th years would thus constitute a two-year sabbath, but the Lord assured Israel that they would still have enough to eat during this period. Some Bible scholars question whether Israel ever observed the jubilee year because Scripture makes no mention of its being observed. On the other hand, we know that Israel did observe other festivals and sabbaths that the Lord commanded.

Whenever an Israelite sold a parcel of land, the parties in the transaction were to take into account the nearness of the jubilee year in determining the purchase price (Leviticus 25:15). God explained that the buyer was not really buying the land but merely buying the right to raise a certain number of crops on it (Leviticus 25:16). The number of crops that the buyer could expect to harvest before its return in the jubilee year would determine the purchase price. If an Israelite became poor and had to sell some of his land, a kinsman was to buy back or redeem the land so that it would stay in the tribe. At the jubilee it would revert to the family of the original owner (Leviticus 25:25-28).

The Israelites were to treat each other with kindness and consideration. They were to care for and not take advantage of an Israelite who became poor (Leviticus 25:35). Israelites were not to charge interest on loans they made to their fellow countrymen. Instead, they were to "revere your God, that your countryman may live with you" (Leviticus 25:36). If an impoverished Israelite had to sell himself into the service of another, the purchasing Israelite was to treat the impoverished one as a hired man and not as a slave; and the owner would set the man free in the year of jubilee (Leviticus 25:39-43). However, Israelites could own slaves from the nations around them (Leviticus 25:44).

If an Israelite sold himself to a foreigner, a kinsman could redeem him, with the price to be determined by the nearness of the jubilee year. In the jubilee, he was to go free (Leviticus 25:47-54). These provisions prevented a permanent Israelite slave class from developing in Israel, a class that would see itself as being subservient to and dependent on others. God wanted Israel to remember that, "the sons of Israel are My servants; they are My servants whom I brought out from the land of Egypt. I am the Lord your God" (Leviticus 25:55).

When a Hebrew man or woman served a fellow Israelite for six years, he or she was to be set free in the seventh year and provided for liberally by his former owner (Deuteronomy 15:12-15). The guideline for how the owner was to provide for the former servant was the way that the Lord had provided for him. "You shall give to him as the Lord your God has blessed you" (verse 14). Alternatively, the servant had the choice of voluntarily renouncing his freedom and remaining a servant permanently (Deuteronomy 15:16-17).

Thus we see that the Israelites could build wealth, but not in land or in Israelite slaves. God did not want the Israelites to think that their power or status came from owning the land or people, when in fact God owned the land and the people.

The sabbath year also brought about a cancellation of debts that Israelites owed to each other, though not of debts that foreigners owed (Deuteronomy 15:1-3). This provision was intended to prevent a permanent debtor class in Israel. It was God's will that, "there will be no poor among you, since the Lord will surely bless you in the land which the Lord your God is giving you as an inheritance to possess, if only you listen obediently to the voice of the Lord your God, to observe carefully all this commandment which I am commanding you today" (Deuteronomy 15:4-5). If a man did suffer poverty, his fellow Israelites were to open their hearts toward him and give him what he needed, "for the poor will never cease to be in the land" (Deuteronomy 15:7-11).

Verse four ("There will be no poor among you") and verse seven ("The poor will never cease to be in the land") seem contradictory on the surface, but they describe God's will for taking care of those in need. There will always be people who need economic assistance. God's people are to take care of those in need so that they do not remain impoverished. If the Israelites followed God's commands to be compassionate and generous, there would not be poor people who fell through the cracks (verses 4-6).

God wanted the Israelites to conduct themselves in every aspect of their lives, including business and economics, with an attitude of holiness. The commandments in Leviticus 19 demonstrate this. The Israelites were not to be greedy for every last stalk of grain, but instead were to leave the gleanings in the fields for the needy and the foreigner (Leviticus 19:9-10). They were to deal honestly with each other in their business dealings. They were to use standard and accurate weights and measures (Leviticus 19:11, 35-36). An employer was to pay his hired men at the end of the day and not hold their pay until the next day (Leviticus 19:13). This avoided many potential problems. The employer might say in the morning, "Didn't I pay you last night? I thought I did." The worker might say, "I worked ten hours yesterday, not eight." The owner might lose the money, or either person might die before payment was completed.

God promised the Israelites that they would enjoy prosperity if they kept His commandments (Deuteronomy 28:1-14), but He warned that they would suffer in many ways, including economically, if they were unfaithful (Deuteronomy 28:16-68).

All these blessings will come upon you and overtake you
if you obey the Lord your God.
Deuteronomy 28:2

Assignments for Lesson 6

Literature Continue reading *Silas Marner*. Plan to finish it by the end of Unit 3.

Project Choose your project for this unit and start working on it.

Student Review Answer the questions for Lesson 6.


Vineyard in northern Israel

7 Rich and Poor in Ancient Israel

Hear this, you who trample the needy, to do away with the humble of the land, saying, "When will the new moon be over, so that we may sell grain, and the sabbath, that we may open the wheat market, to make the bushel smaller and the shekel bigger, and to cheat with dishonest scales, so as to buy the helpless for money and the needy for a pair of sandals, and that we may sell the refuse of the wheat?"

— Amos 8:4-6

God was Israel's king and provider, but the time came when that did not satisfy the people of Israel. When Samuel was old, the elders of Israel came to him and asked him to appoint a king to rule over them. God assured Samuel that they were rejecting Him, not Samuel. The Lord told Samuel to give them what they asked for but also to warn them of the consequences of having a king (1 Samuel 8:1-9). Those consequences included economic ramifications:

> So Samuel spoke all the words of the Lord to the people who had asked of him a king. He said, "This will be the procedure of the king who will reign over you: he will take your sons and place them for himself in his chariots and among his horsemen and they will run before his chariots. He will appoint for himself commanders of thousands and of fifties, and some to do his plowing and to reap his harvest and to make his weapons of war and equipment for his chariots. He will also take your daughters for perfumers and cooks and bakers. He will take the best of your fields and your vineyards and your olive groves and give them to his servants. He will take a tenth of your seed and of your vineyards and give to his officers and to his servants. He will also take your male servants and your female servants and your best young men and your donkeys and use them for his work. He will take a tenth of your flocks, and you yourselves will become his servants. Then you will cry out in that day because of your king whom you have chosen for yourselves, but the Lord will not answer you in that day." (1 Samuel 8:10-18)

The people did not listen to Samuel's warning, so Samuel anointed first Saul and then David to be their king. David's son Solomon followed him on the throne.

The reign of Solomon was a time of great wealth in Israel. Solomon asked the Lord for wisdom to rule Israel well, and the Lord responded by giving him not only wisdom but also "both riches and honor" (1 Kings 3:13). "Judah and Israel were as numerous as the sand that is on the seashore in abundance; they were eating and drinking and rejoicing" (1 Kings 4:20). This was especially true for the royal household. "Solomon had 40,000 stalls of horses for his chariots, and 12,000 horsemen" (1 Kings 4:26). Solomon built a magnificent palace and temple (1 Kings 7). He engaged in foreign trade that increased his wealth (1 Kings 10:11-12, 14-15). When the queen of Sheba visited Solomon because of the report she had heard about him, she was amazed at what she saw. "[T]he half was not told me. You exceed in wisdom and prosperity the report which I heard" (1 Kings 10:7).

King Solomon and the Queen of Sheba
(Persian, 16th century)

Much of Solomon's wealth was the result of what the people of Israel produced. The king's daily provisions were abundant (1 Kings 4:22-28). Forced laborers from Israel provided the labor for Solomon's projects (1 Kings 5:13-16). Most people in Israel apparently had enough, but Solomon used his position to make sure that he had more than enough.

When Solomon's son Rehoboam became king, he foolishly decided to make the government's oppressive hold on the economic life of the nation even tighter so that the people would know who was boss. This turn of events was from the Lord to fulfill a prophecy made earlier (1 Kings 12:13-15). Because of Rehoboam's harshness, the ten northern tribes rebelled against him and set up their own kingdom (1 Kings 12:16-19).

After Israel divided into the Northern Kingdom (also called Israel and the Southern Kingdom (also called Judah), the Northern Kingdom of Israel experienced great prosperity, especially in the early part of the eighth century (800-750 BC). Archaeological discoveries show evidence of the great wealth present in the area at the time. However, this wealth came at a heavy price socially and spiritually. First, the ruling class enjoyed their prosperity at the expense of the poor; and second, the Northern Kingdom abandoned the worship of the one true God for the worship of idols. The Lord's prophets, especially Hosea and Amos, condemned these practices. The Lord spoke through Hosea, saying:

> For [Israel] does not know that it was I who
> gave her the grain, the new wine and the oil,
> And lavished on her silver and gold, which
> they used for Baal. Hosea 2:8

Amos used especially pointed phrases to condemn the exploitation of the poor by the rich in Israel:

> Thus says the LORD, "For three transgressions of Israel and for four I will not revoke its punishment, because they sell the righteous for money and the needy for a pair of sandals." Amos 2:6

> Hear this word, you cows of Bashan who are on the mountain of Samaria, who oppress the poor, who crush the needy, who say to your husbands, "Bring now, that we may drink!" The Lord GOD has sworn by His holiness, "Behold, the days are coming upon you when they will take you away with meat hooks, and the last of you with fish hooks."
> Amos 4:1-2

Amos warned of a coming exile in both Israel and Judah:

> Woe to those who are at ease in Zion and to those who feel secure in the mountain of Samaria, the distinguished men of the foremost of nations, to whom the house of Israel comes. . . . Those who recline on beds of ivory and sprawl on their couches, and eat lambs from the flock and calves from the midst of the stall . . . who drink wine from sacrificial bowls while they anoint themselves with the finest of oils, yet they have not grieved over the ruin of Joseph. Therefore, they will now go into exile at the head of the exiles, and the sprawlers' banqueting will pass away. Amos 6:1-7

Hosea also warned of a punishment coming upon Israel (Hosea 10).

During the time of Elisha in the Northern Kingdom, the Arameans laid siege to Samaria and a famine occurred. 2 Kings 6:25 describes extremely high prices for even the most disgusting items. However, Elisha prophesied that prices would return to normal (2 Kings 7:1). After the Lord scattered the Arameans and the siege ended, food prices did return to normal (2 Kings 7:18). This account serves as another Biblical example of the principle of supply and demand.

This carving of the prophet Amos by Jörg Syrlin the Younger (c. 1493) is located at Blaubeuren Abbey in Germany.

True to God's word, Assyria conquered Israel and carried many of its people into captivity in 721 BC. Babylon conquered the southern kingdom and carried captives away beginning in 606 BC.

Every Man Under His Vine and Fig Tree

A phrase that the Old Testament uses several times exemplifies the ideal of security, prosperity, freedom, and property rights. During Solomon's reign, "Judah and Israel lived in safety, every man under his vine and his fig tree, from Dan even to Beersheba, all the days of Solomon" (1 Kings 4:25). Micah used the same idea to describe the Messianic ideal in this way:

> Each of them will sit under his vine and under his fig tree, with no one to make them afraid, for the mouth of the Lord of hosts has spoken. Micah 4:4

Zechariah used a similar phrase:

> "In that day," declares the Lord of hosts, "every one of you will invite his neighbor to sit under his vine and under his fig tree."
> Zechariah 3:10

The Lord through Jeremiah used an inverse form of the phrase to describe the punishment that was coming upon Israel:

> "I will surely snatch them away," declares the Lord; "There will be no grapes on the vine and no figs on the fig tree, and the leaf will wither; and what I have given them will pass away."
> Jeremiah 8:13

Economic issues are not just a factor in modern times. They were present during the time of the Bible in the land of Israel, just as they have been present in all of the nations of the world throughout human history. The issues of God's promise of prosperity to His faithful, His call to practice economic justice, and the economic consequences of unrighteousness are timeless.

"If you consent and obey,
You will eat the best of the land;
But if you refuse and rebel,
You will be devoured by the sword."
Truly, the mouth of the LORD has spoken.
Isaiah 1:19-20

Assignments for Lesson 7

Making Choices Read "Socialism, Capitalism, and the Bible" (pages 16-22).

Literature Continue reading *Silas Marner*.

Project Continue working on your project for this unit.

Student Review Answer the questions for Lesson 7.

Milking Cow (Egyptian)

8 The Righteous Will Flourish

He who trusts in his riches will fall,
But the righteous will flourish like the green leaf.
— Proverbs 11:28

Many passages in the Old Testament, especially in Proverbs, address the issues of wealth, business, and economics.

The Importance of Humility

The Lord taught Israel that the most important attitude to have concerning financial matters is humility.

> The rich and the poor have a common bond,
> The Lord is the maker of them all.
> Proverbs 22:2

> It is the blessing of the Lord that makes rich,
> And He adds no sorrow to it.
> Proverbs 10:22

The Blessings of Faithfulness

Several Old Testament Scriptures teach that faithfulness tends to lead to economic well-being.

> Honor the Lord from your wealth and from the first of all your produce; so your barns will be filled with plenty and your vats will overflow with new wine. Proverbs 3:9-10

> The reward of humility and the fear of the Lord are riches, honor and life.
> Proverbs 22:4

The Value of Hard Work

The Bible teaches many specific principles that apply to economics. For instance, hard work (an economist might say productivity) pays off.

> He who tills his land will have plenty of bread, but he who pursues worthless things lacks sense. Proverbs 12:11

> In all labor there is profit, but mere talk leads only to poverty. Proverbs 14:23

First Things First

A person needs to keep his priorities straight. He needs to look to his productive resources first.

> Prepare your work outside and make it ready for yourself in the field; afterwards, then, build your house. Proverbs 24:27

Another practical lesson in Scripture is that the wise person stays in touch with the condition of his economic resources.

> Know well the condition of your flocks, and pay attention to your herds; for riches are not forever, nor does a crown endure to all generations. Proverbs 27:23-24

Warnings Against Sin and Laziness

On the other hand, the Bible is also clear that laziness and sin (a lack of productivity) lead to poverty.

> "A little sleep, a little slumber,
> A little folding of the hands to rest"—
> Your poverty will come in like a vagabond
> And your need like an armed man.
> Proverbs 6:10-11

> Poverty and shame will come to him who neglects discipline, but he who regards reproof will be honored. Proverbs 13:18

> Ill-gotten gains do not profit, but righteousness delivers from death.
> Proverbs 10:2

> Great wealth is in the house of the righteous, but trouble is in the income of the wicked.
> Proverbs 15:6

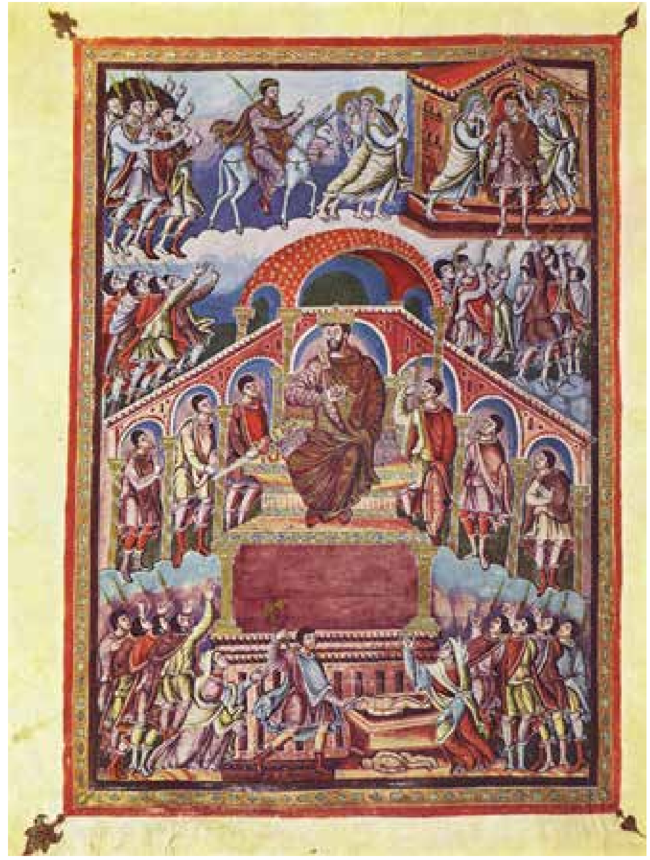


Illustration of King Solomon's court
Ingobertus (French, c. 880)

Give and You Shall Receive

The Scriptures teach that generosity leads to wealth.

> There is one who scatters, and yet increases all the more, and there is one who withholds what is justly due, and yet it results only in want. Proverbs 11:24

God's people are not to give in order to receive. That is mercenary and selfish. Instead, God's people are to give because God has given generously to them. They are to give when they see a need, not worrying about their own needs. In this way they will reflect the heart of God. They are to trust that, as God has given to them, so they can give to others, God will continue to provide for them as they are generous and ready to share.

The Deceptiveness of Wealth

Wealth is attractive, but it is deceptive and will one day pass away. The writer of Ecclesiastes sought wealth and pleasure in his pursuit of the meaning of life, but this is what he found:

> All that my eyes desired I did not refuse them. I did not withhold my heart from any pleasure, for my heart was pleased because of all my labor and this was my reward for all my labor. Thus I considered all my activities which my hands had done and the labor which I had exerted, and behold all was vanity and striving after wind and there was no profit under the sun.
> Ecclesiastes 2:10-11

The psalmist said that the righteous would laugh at:

> [T]he man who would not make God his refuge, but trusted in the abundance of his riches and was strong in his evil desire.
> Psalm 52:7

Wealth is attractive not only to the person who pursues it but also to those around him. It brings the wealthy person many so-called friends who want to take advantage of that person's money.

> Wealth adds many friends, but a poor man is separated from his friend. Proverbs 19:4

But the pursuit of wealth is simply not worth it.

> Do not weary yourself to gain wealth, cease from your consideration of it. When you set your eyes on it, it is gone. For wealth certainly makes itself wings like an eagle that flies toward the heavens. Proverbs 23:4-5

> Riches do not profit in the day of wrath, but righteousness delivers from death.
> (Proverbs 11:4)

The one who gains wealth by unrighteous means will leave it to be enjoyed by others.

> He who increases his wealth by interest and usury gathers it for him who is gracious to the poor. (Proverbs 28:8)

God Will Make Things Right in the End

The wicked sometimes are able to become wealthy (perhaps by using devious means), but God warned them that they would one day get their just recompense. The psalmist agonized:

> For I was envious of the arrogant as I saw the prosperity of the wicked.

But then he "came into the sanctuary of God" and "perceived their end":

> Surely You set them in slippery places; You cast them down to destruction. How they are destroyed in a moment! They are utterly swept away by sudden terrors!
> Psalm 73:3, 17, 18-19

Economic principles are consistently true in the conduct of business, but God's principles are even more sure. We should conduct our business dealings in a way that is consistent with our claim of being God's people.

Ecclesiastes tells us that labor is good and that it enables us to enjoy life while we realize that our ability to work and the fruit of our labors come from God.

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. For who can eat and who can have enjoyment without Him?
Ecclesiastes 2:24-25

Assignments for Lesson 8

Making Choices Read the excerpts from the Precepts of Ptah-Hotep (pages 23-24).

Literature Continue reading *Silas Marner*.

Project Continue working on your project for this unit.

Student Review Answer the questions for Lesson 8.

Boundary Stone at Gezer, Israel (c. 100 BC)

9 God Owns It All

Better is a little with righteousness than great income with injustice.
— Proverbs 16:8

God wants to rule over the economic part of our lives as much as He wants to rule over every other aspect of our lives. Indeed, how we handle money and business transactions says a great deal about whether our hearts are truly devoted to God or whether we give lip service to God's instructions and then do whatever we want in everyday life. The Lord taught important financial principles throughout the Scriptures.

Honesty Is Essential

Honesty is essential to the proper conduct of business. In economic terms, dishonesty, bribery, and manipulation of goods interrupt the proper operation of supply and demand.

> A false balance is an abomination to the Lord, but a just weight is His delight.
> Proverbs 11:1; see also 16:11 and 20:23

> A wicked man receives a bribe from the bosom to pervert the ways of justice.
> Proverbs 17:23

> Do not move the ancient boundary which your fathers have set. Proverbs 22:28

> He who withholds grain, the people will curse him, but blessing will be on the head of him who sells it. Proverbs 11:26

People tend to complain about a deal while they are making it but then they go away and boast about the great deal they had made. Another proverb describes this tendency in this way:

> "Bad, bad," says the buyer, but when he goes his way, then he boasts. Proverbs 20:14

Debt Is Dangerous

Debt is enslaving and should be avoided.

> The rich rules over the poor, and the borrower becomes the lender's slave.
> Proverbs 22:7

Becoming surety for the debt of another (today we call it co-signing for a loan) means that the co-signer is responsible for paying off the debt if the person to whom the loan is made does not pay the creditor. A person should avoid making such a commitment. If someone needs to have a co-signer to obtain a loan, that is a strong indication that the lender does not think that the person receiving the loan is a good risk. It is difficult to get out of being a co-signer on a loan, so the better approach is to avoid making such a commitment at all.

> My son, if you have become surety for your neighbor, have given a pledge for a stranger, if you have been snared with the words of your mouth, have been caught with the words of your mouth, do this then, my son, and deliver yourself; since you have come into the hand of your neighbor, go, humble yourself, and importune your neighbor. Give no sleep to your eyes, nor slumber to your eyelids; deliver yourself like a gazelle from the hunter's hand and like a bird from the hand of the fowler. Proverbs 6:1-5

Beggars in Jerusalem (late 1800s)

Be Concerned About the Poor

God's people should not simply seek as much financial gain as possible without regard for how our actions affect others. Instead, in our financial activities we should be concerned about the rights of the poor; and we should not take advantage of them.

> The righteous is concerned for the rights of the poor, the wicked does not understand such concern. Proverbs 29:7

> Do not rob the poor because he is poor, or crush the afflicted at the gate; for the Lord will plead their case and take the life of those who rob them. Proverbs 22:22-23

> One who is gracious to a poor man lends to the Lord, and He will repay him for his good deed. Proverbs 19:17

More Important Than Money

The Lord considers other things to be more important than wealth.

> Better is a little with the fear of the Lord than great treasure and turmoil with it.
> Proverbs 15:16

> A good name is to be more desired than great wealth, favor is better than silver and gold. Proverbs 22:1

> Better is the poor who walks in his integrity than he who is crooked though he be rich.
> Proverbs 28:6

Ruth in Boaz's Field, *Julius Schnorr von Carolsfeld (German, 1828)*

The Essentials Are All We Need

What each of us really needs is simply what he needs today. Anything more or less can become a problem.

> Two things I asked of You, do not refuse me before I die: Keep deception and lies far from me, give me neither poverty nor riches; feed me with the food that is my portion, that I not be full and deny You and say, "Who is the Lord?" Or that I not be in want and steal, and profane the name of my God.
>
> Proverbs 30:7-9

Everything Belongs to God

All that anyone ever has comes from the Lord. He is the Maker of everything, it all belongs to Him, and ultimately it will return to Him.

> "I will shake all the nations; and they will come with the wealth of all nations, and I will fill this house with glory," says the Lord of hosts. "The silver is Mine and the gold is Mine," declares the Lord of hosts.
>
> Haggai 2:7-8

Everything belongs to God the Creator. He gives people various amounts of His possessions to manage (as a steward or *oikonomos*) for a relatively few years. This realization should humble us. The psalmist recognized that the way a person conducts financial matters reflects his heart before God.

O Lord, who may abide in Your tent?
Who may dwell on Your holy hill?
He who walks with integrity, and works righteousness,
and speaks truth in his heart. . . .
He does not put out his money at interest,
nor does he take a bribe against the innocent.
He who does these things will never be shaken.
Psalm 15:1-2, 5

Assignments for Lesson 9

Literature Continue reading *Silas Marner*.

Project Continue working on your project for this unit.

Student Review Answer the questions for Lesson 9.

Christ Calling Zacchaeus *(detail), Vittorio Trainini (Italian, 1936)*

10 The Radical Economics of Jesus

Blessed are you who are poor, for yours is the kingdom of God . . . .
But woe to you who are rich, for you are receiving your comfort in full.
— Luke 6:20, 24

Jesus came into a world and a society that grappled with economic issues. Some Jewish religious leaders of His day were hungry for wealth. Luke 16:14 describes the Pharisees as "lovers of money." The Pharisees and scribes reinterpreted the Law to encourage people to make contributions to the temple instead of using their money to take care of their parents (Mark 7:9-13). Scribes would "devour widows' houses" (Mark 12:40), probably a reference to the practice of pressuring widows or their survivors into donating the widow's house to the temple.

The rich young man who came to Jesus with an important question was probably a synagogue ruler (Luke 18:18). Perhaps part of the reason he had been given a position of prominence and leadership was his financial success. Zaccheus was a chief tax collector whom Luke describes as being rich (Luke 19:2). This taxman's desires were not all that different from those of most people; he had just learned how to play the game more successfully that most.

Rome controlled the area of Israel to enhance its political and economic security. The Roman government siphoned off wealth from Israel (and from other areas that it controlled) in the form of taxes, which the Romans used in part to finance their occupation army.

A New View

Jesus came to teach a new way of living, which required a new way of thinking. As a part of His teaching, the Lord urged a radical reorientation in the way people thought about wealth. During His ministry on earth, Jesus talked about money more than any other single subject except the kingdom of God.

In the Sermon on the Mount, He told people not to store up treasures on earth, but rather to store up a different kind of treasure in heaven because, "Where your treasure is, there your heart will be also" (Matthew 6:21). Jesus wanted total commitment from His followers, and that included an undivided loyalty to Him instead of to money. Jesus was not satisfied with partial loyalty because He knew that such divided allegiance would not work in reality.

Ancient Roman and Greek Coins

"No one can serve two masters; for either he will hate the one and love the other, or he will be devoted to one and despise the other. You cannot serve God and wealth" (Matthew 6:24). In the parable of the sower, Jesus warned that the person who is preoccupied with "the worry of the world and the deceitfulness of wealth" will find the word choked in his life; and as a result that person will be unfruitful (Matthew 13:22).

The Lord taught His followers not to be worried about food and clothing. He said that God will take care of those who follow Him, in the same way that God feeds the birds and clothes the lilies of the field. Fretting about possessions is the faithless (that is, pagan) way of thinking. Instead, Jesus said, "Seek first His kingdom and His righteousness, and all these things will be added to you" (Matthew 6:33). In other words, Jesus told us that God meets the needs of His faithful people.

Jesus counseled the paying of taxes because it was the fulfillment of a proper obligation (Matthew 17:24-27 and 22:15-22). However, Jesus taught that people had an even more important obligation to fulfill. "Render to Caesar the things that are Caesar's; and to God the things that are God's" (Matthew 22:21).

The test of faithfulness in Jesus' teachings is what we do with our possessions, not how much we have or acquire. In the parable of the talents, a master gave his servants talents (a talent was worth about fifteen years' wages for a worker) "each according to his own ability." The master praised the two who invested the talents wisely, but he condemned the one who hid his talent out of fear (Matthew 25:14-30).

Two of Jesus' parables used economic situations in a surprising way to make their point. In the parable of the workers in the vineyard (Matthew 20:1-16), a landowner hires men at various times through the day; but when the landowner pays them, they all receive the amount for which those hired earliest had agreed to work. The men who had worked all day grumble at what they perceived to be unfair treatment. “These last men have worked only one hour, and you have made them equal to us who have borne the burden and the scorching heat of the day” (verse 12).

The landowner tells the men that he had done nothing wrong. The land and the money were his, and he could do with them as he wished. “Is your eye envious because I am generous?” the landowner asks (verse 15). The lesson of the parable is that God can bless people and dispense grace according to His wisdom without answering to anyone else. Everything belongs to Him, and He can use it as He wills. This means that in some cases, those whom we would think of as first will be last and the last will be first (verse 16).

In the parable of the unrighteous steward (Luke 16:1-12), a rich man’s household steward was found to have squandered his master’s possessions. After the steward had been given his dismissal notice, he apparently played fast and loose with his master’s accounts and discounted the debtors’ obligations to the master in order to win favor from those debtors after he left his stewardship position. The master praises the steward for his shrewdness in his last official acts as steward.

Jesus’ point is not to justify manipulation of accounts. Instead, He used the steward’s actions as a point of comparison in what is called a “light and heavy” parable: if something is true in a less important situation, certainly it is true in a more important situation. Here Jesus is saying that if an unjust steward can be considered shrewd for monkeying with his master’s accounts, certainly God’s people, “the sons of light” (verse 8), need to be wise in preparing for heaven by how they handle the resources that God gives them in this life:

> And I say to you, make friends for yourselves by means of the wealth of unrighteousness, so that when it fails, they will receive you into the eternal dwellings. He who is faithful in a very little thing is faithful also in much; and he who is unrighteous in a very little thing is unrighteous also in much. Therefore if you have not been faithful in the use of unrighteous wealth, who will entrust the true riches to you? And if you have not been faithful in the use of that which is another’s, who will give you that which is your own?
>
> Luke 16:9-12

Parable of the Workers in the Vineyard (German, c. 1040)

The Parable of the Rich Fool, *Rembrandt (Dutch, 1627)*

Rich and Poor

Jesus did not praise the wealthy; instead, He warned them. The Lord told a parable about a rich fool who stored up treasure for himself but who was not rich toward God. The man died suddenly and left to others all that he had worked so hard to acquire (Luke 12:16-21). In other words, as important as productivity is, it is not the most important trait for a person to have. In another incident, Jesus praised Zaccheus only after the tax collector promised to give half of his possessions to the poor and to make things right with anyone he had defrauded (Luke 19:8-10).

The Lord told the rich young ruler to sell all that he had and give to the poor (Matthew 19:16-21). When the young man went away sorrowful because he had great wealth, Jesus told his disciples, "Truly I say to you, it is hard for a rich man to enter the kingdom of heaven. Again I say to you, it is easier for a camel to go through the eye of a needle, than for a rich man to enter the kingdom of God" (Matthew 19:22-24). This amazed the disciples. In their eyes, the rich young ruler was the model of success and godliness. If he did not qualify for salvation, they wondered, "Then who can be saved?" Jesus reminded them that God does the saving, not man (Matthew 19:25-26).

Many people have wondered whether Jesus' command to the rich young ruler to sell his possessions applies to all Christians. Apparently it does not. Jesus accepted financial assistance from people, apparently without requiring them to give away all that they owned (Luke 9:3). When Zaccheus promised to give half of his possessions to the poor and to make fourfold restitution to anyone he had defrauded, Jesus said salvation had come to that house (Luke 19:1-10). He did not insist that Zaccheus divest himself of all of his possessions.

People in the early church sold property and gave the money to be distributed to the poor (Acts 4:34-37); however, we have no indication that the centurion Cornelius or the businesswoman Lydia did that (Acts 10:1-48, 16:14-15). Paul instructed Timothy to teach those who were "rich in this present world . . . to be generous and ready to share" (1 Timothy 6:17, 19), but the apostle did not insist that those Christians sell everything they owned.

The heroes in many of Jesus' parables and in many of the encounters with Him that the gospels relate are not the wealthy but the poor. Jesus said that He came "to preach the gospel to the poor" (Luke 4:18). The men in Jesus' teachings who exemplified the kingdom of heaven were the man who sold all he had to buy a field that contained a treasure and the man who sold all he had to buy the pearl of great price (Matthew 13:44-46). In one story, the man who rested in Abraham's bosom after his death had been a poor man in this life, while the man in torment had been rich in this life (Luke 16:19-31). Jesus took note of and complimented the poor widow who gave to the temple treasury two copper coins, all she had in her poverty, not the people who gave larger amounts out of their abundance (Luke 21:1-4)

In Luke 6, Jesus said that the poor and the hungry were blessed; but He uttered woes upon the rich and well-fed (Luke 6:20-25). He taught His followers that their goal should not be to acquire and to possess but to "lend, expecting nothing in return" (that is, not expecting to receive a favor in return; Luke 6:35). Jesus promised His listeners, "Give, and it will be given to you. They will pour into your lap a good measure—pressed down, shaken together, and running over. For by your standard of measure it will be measured to you in return" (Luke 6:38). Jesus told His followers, "Sell your possessions and give to charity" (Luke 12:33).

When a woman anointed Jesus with costly perfume, the disciples were outraged at what they saw as a waste. The perfume could have been sold and the money given to the poor, which they thought would have been a wiser use of the resource. But Jesus gently reminded them, "You always have the poor with you." In other words, you always have the opportunity to serve others. The poor are not just to use in scoring points in a discussion. Jesus knew that the woman who anointed Him had better insight into what was truly valuable, and she made the best use of her scarce resources (Matthew 26:6-13).

This altarpiece at the Church of St. Vincent in Heiligenblut, Austria, depicts Mary Magdalene washing the feet of Jesus.

What It Means to Follow Jesus

In His best-known call to discipleship, Jesus described the meaning of following Him in economic terms:

> Then Jesus said to His disciples, "If anyone wishes to come after Me, he must deny himself, and take up his cross and follow Me. For whoever wishes to save his life will lose it; but whoever loses his life for My sake will find it. For what will it profit a man if he gains the whole world and forfeits his soul? Or what will a man give in exchange for his soul?" (Matthew 16:24-26)

In presenting this challenging summons, Jesus did not ask anyone to do what He had not already done. The Lord could have come to earth to be a powerful political ruler or a wealthy businessman; instead, He lived as one who did not even have a place to lay His head (Luke 9:58). It is to this radical system of economics that Jesus calls us. Whoever has been given much—and Americans have been given much—has a greater responsibility to be a good *oikonomos* or steward of what he has been given.

From everyone who has been given much, much will be required;
and to whom they entrusted much, of him they will ask all the more.
Luke 12:48

Assignments for Lesson 10

Literature Continue reading *Silas Marner*.

Project Finish your project for this unit.

Student Review Answer the questions for Lesson 10 and take the quiz for Unit 2.

Volunteers from the U.S. Navy work with Habitat for Humanity in San Antonio, Texas (2011)

03 God's Economics, Part 2

Wealth and poverty were significant spiritual issues in the early church. Early Christian teachers had much to say regarding how believers were to handle money. The monastic movement was a reaction to the influence of the world. Later movements, such as the Protestant Reformation and Puritanism, also dealt with how believers conducted economic activities. Nineteenth and twentieth century theologians introduced new ideas on how Christians should view economic and financial matters. Following Jesus includes how a disciple thinks about and uses money. Greed is one of many issues regarding wealth that a Christian must confront in his own heart.

Books Used

The Bible
Making Choices
Silas Marner

Project
(choose one)

1) Write 300 to 500 words on the first topic or write a poem:

- Write about the relationship the church as a body should have with material wealth. Should a church own possessions? Should a church have debt? Are large buildings and large budgets evidence of faithfulness? How can a church best steward finances? If possible, use Scripture to support your answers.

- Write a poem of at least twelve lines about the fellowship described in Acts 4:32-35.

2) Research and make a list of at least ten national Christian-owned companies. Include a brief description of the business and the location of the headquarters.

3) Write and perform a skit that creatively explores the topic of greed. Recruit siblings or friends to perform with you.


Pentecost, *Duccio (Italian, c. 1310)*

11 To Each as Any Had Need

For there was not a needy person among them . . . .
— Acts 4:34

The revolution in living that Jesus offered to people affected their economic lives. When a person is transformed by the renewing of his or her mind (Romans 12:2), that person's thinking about finances is changed along with everything else.

Economics in Acts

The Holy Spirit led the first believers in Jerusalem to see their possessions in a new way because of the fellowship of disciples that had just been formed.

> And the congregation of those who believed were of one heart and soul; and not one of them claimed that anything belonging to him was his own, but all things were common property to them. And with great power the apostles were giving testimony to the resurrection of the Lord Jesus, and abundant grace was upon them all. For there was not a needy person among them, for all who were owners of land or houses would sell them and bring the proceeds of the sales and lay them at the apostles' feet, and they would be distributed to each as any had need. Acts 4:32-35

Those Christians did not look at their fellow believers who were poor and think that those people just needed to pull themselves up by their own sandal straps. Instead, the disciples sold some of what they had to generate money that they gave to help the needy in the fellowship.

Some have said that the early church practiced Communism, but this is not true. Communism involves state ownership of the means of production and the forced distribution of scarce resources that government workers direct. This was not how the early church operated. First, the government did not carry out the distribution; second, the early church did not take over the operation of farms and shops that Christians owned; and third, the sharing of resources was not compulsory. The sharing that took place was the result of personal conviction based on the new view of life and material possessions that Jesus created in His followers.

Helping the poor was a major issue in the early church. The fellowship in Jerusalem oversaw a daily distribution of food to widows (Acts 6:1).

In that day, widows received no government assistance, so if they needed help other individuals had to provide it. Christians in Antioch—again voluntarily—collected assistance that Barnabas and Saul took to the elders in Jerusalem to distribute to Christians there who needed relief during a famine (Acts 11:27-30). Paul collected money on his third missionary journey to help the poor in Jerusalem (see Romans 15:25-27).

This emphasis on the needs of the poor in the early church reminds us that the gospel had a major appeal among people in the first century world who were poor (see 1 Corinthians 1:26), although certainly some who became Christians had a degree of wealth. Two examples of those with considerable means are the centurion Cornelius (Acts 10:1-2) and the businesswoman Lydia (Acts 16:14-15).

Economics in the New Testament Letters

The inspired letters written to churches in the first century discussed economic and financial issues. In Philippians, Paul said that he had "suffered the loss of all things" for the sake of Christ, but that for him knowing Christ Jesus as his Lord held "surpassing value" (Philippians 3:8). Paul sincerely thanked the Christians in Philippi for their assistance to him, but he noted:

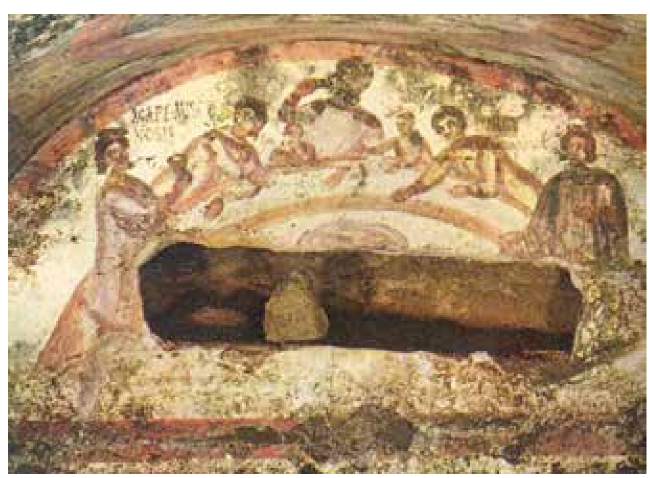
> Not that I speak from want, for I have learned to be content in whatever circumstances I am. I know how to get along with humble means, and I also know how to live in prosperity; in any and every circumstance I have learned the secret of being filled and going hungry, both of having abundance and suffering need. I can do all things through Him who strengthens me.
>
> Philippians 4:11-13

Paul also assured the Philippians that, in response to their generosity toward him, "My God will supply all your needs according to His riches in glory in Christ Jesus" (Philippians 4:19). Those needs might not have been financial, but Paul understood the power of the God of abundance.

Paul addressed the social and economic arrangement of slavery in several letters. He encouraged slaves and masters to have a new perspective on their relationship. Slaves were to serve their masters as though they were serving the Lord. Masters were to treat their slaves with justice and kindness, remembering that they had a Master in heaven (Ephesians 6:5-9, Colossians 3:22-4:1).

In 1 Corinthians 7, Paul addressed several life situations. The general theme in the chapter is encouragement for people to remain in the status they were when they became Christians (1 Corinthians 7:20). Regarding slavery, Paul said a Christian should be satisfied to remain in the condition he was in, although if a believer had the opportunity to become free he should take it (verses 21-23). Paul did not initiate a campaign to abolish slavery, but through him the Lord introduced a new way of viewing others. Centuries later this new way of thinking led some to become convinced that slavery was incompatible with the Christian life and people with this conviction organized abolitionist efforts.

This fresco depicting early Christians sharing a meal is from a catacomb in Rome.



Mosaic of merchant ship in Tunisia (c. 3rd century AD)

In 2 Thessalonians, Paul addressed the problem of Christians not working and thus not providing for their own needs as they should. Paul had words of warning for those who led an unruly or undisciplined life. Many have interpreted this to mean that some in the church in Thessalonica had quit work and were waiting for what they thought would be the Lord's imminent return. When that did not happen, and when those who had quit work continued to need food and covering, they began to depend on other Christians for their needs. Paul gave them these admonitions:

> Now we command you, brethren, in the name of our Lord Jesus Christ, that you keep away from every brother who leads an unruly life and not according to the tradition which you received from us. For you yourselves know how you ought to follow our example, because we did not act in an undisciplined manner among you, nor did we eat anyone's bread without paying for it, but with labor and hardship we kept working night and day so that we would not be a burden to any of you; not because we do not have the right to this, but in order to offer ourselves as a model for you, so that you would follow our example. For even when we were with you, we used to give you this order: if anyone is not willing to work, then he is not to eat, either. For we hear that some among you are leading an undisciplined life, doing no work at all, but acting like busybodies. Now such persons we command and exhort in the Lord Jesus Christ to work in quiet fashion and eat their own bread.
>
> 2 Thessalonians 3:6-12

James gave special emphasis to the matter of how the gospel affected the rich and the poor and how the fellowship of believers was to respond to those in different economic situations. "The brother of humble circumstances," James said, was to rejoice in the spiritual riches he had in Christ, while the rich man was to rejoice in the fact that one day all of his wealth would be gone (James 1:9-11).

James also condemned treating people with partiality on the basis of their economic status. If the members of a church paid special attention to a rich man who came into its assembly but brushed aside a poor man, James said that they had become "judges with evil motives." James reminded his readers that God had chosen the poor "to be rich in faith and heirs of the kingdom," while it was rich people who had persecuted and oppressed them (James 2:1-7). Later, James condemned the unjust rich who took pride in their wealth and mistreated laborers who worked for them (James 5:1-6).

James admonished believers to engage in business activity with humility, subjecting themselves to the will of God and realizing the brevity and uncertainty of life:

> Come now, you who say, "Today or tomorrow we will go to such and such a city, and spend a year there and engage in business and make a profit." Yet you do not know what your life will be like tomorrow. You are just a vapor that appears for a little while and then vanishes away. Instead, you ought to say, "If the Lord wills, we will live and also do this or that." But as it is, you boast in your arrogance; all such boasting is evil. Therefore, to one who knows the right thing to do and does not do it, to him it is sin. James 4:13-17

The Economic Downfall of Rome

Under the inspiration of the Holy Spirit, the apostle John wrote the book of Revelation to give encouragement to first-century Christians who were suffering under persecution by Roman authorities. Information in Chapter 17 and elsewhere identifies the evil force that is described as Babylon the great, the great harlot, and the beast (among other things) as being Rome. Revelation 17:9 says that the seven heads of the beast are the seven mountains on which the woman sits (Rome was built on seven hills). Revelation 17:18 says that, "The woman whom you saw is the great city, which reigns over the kings of the earth," a description that only fits Rome.

Chapter 18 predicts the downfall of Babylon the great, which the Bible describes as the woman of immorality (Revelation 18:2-3). This chapter contains several references to the end of the city's wealth and to grieving merchants who had been engaged in trade with it (including verses 3 and 11-15). The economic power and influence of Rome were indeed destroyed when it fell, in keeping with the prophecy of this passage in Revelation.

Paul described the grace of Christ and what it gives to believers in economic terms.

For you know the grace of our Lord Jesus Christ,
that though He was rich, yet for your sake He became poor,
so that you through His poverty might become rich.
2 Corinthians 8:9

Assignments for Lesson 11

Literature Continue reading *Silas Marner*. Plan to finish it by the end of this unit.

Project Choose your project for this unit and start working on it.

Student Review Answer the questions for Lesson 11.

Stained glass window in the Netherlands depicting four early church fathers

12 Economics in Church History, Part 1

Nothing that is God's is obtainable by money.
— Tertullian (c. 160 - 220 AD)

The church of our Lord has included many different teachings and movements over the centuries. Christians have gone from one extreme to the other in their views of wealth, from advocating absolute poverty to the glorification of possessions. Many of these diverse doctrines have reflected one particular aspect of Christian teaching but not all of God's truth. This is why these teachings have had an appeal to various people but do not completely reflect the whole counsel of God.

The Church Fathers

After the age of the apostles, Christians continued to share material goods with their needy brethren. Leaders who are today known as the church fathers warned against greed and the accumulation of wealth and decried the practice of usury (charging interest on loans) as being hurtful to the poor. They also described generosity to others as a way for Christians to demonstrate their faith in God.

> Falsehood is not found among them; and they love one another, and from widows they do not turn away their esteem; and they deliver the orphan from him who treats him harshly. And he who has gives to him who has not, without boasting. And when they see a stranger, they take him in to their homes and rejoice over him as a very brother; for they do not call them brethren after the flesh, but brethren after the spirit and in God. And whenever one of their poor passes from the world, each one of them according to his ability gives heed to him and carefully sees to his burial. And if they hear that one of their number is imprisoned or afflicted on account of the name of their Messiah, all of them anxiously minister to his necessity, and if it is possible to redeem him they set him free. And if there is among them any that is poor and needy, and if they have no spare food, they fast two or three days in order to supply to the needy their lack of food.
>
> — Aristides (c. 125 AD)

But those, moreover, whom you consider rich, who add forests to forests, and who, excluding the poor from their neighborhood, stretch out their fields far and wide into space without any limits, who possess immense heaps of silver and gold and mighty sums of money, either in built-up heaps or in buried stores. Even in the midst of their riches those are torn to pieces by the anxiety of vague thought, lest the robber should spoil, lest the murderer should attack, lest the envy of some wealthier neighbour should become hostile, and harass them with malicious lawsuits. Such a one enjoys no security either in his food or in his sleep. . . . And oh, the odious blindness of perception, and the deep darkness of senseless greed! Although he might disburden himself and get rid of the load, he rather continues to brood over his vexing wealth. He goes on obstinately clinging to his tormenting hoards. From him there is no liberality to dependents, no communication to the poor.

— Cyprian (c. 250 AD)

[Possessions] are good if you open up the granaries of your righteousness, so that you may be the bread of the poor, the life of the needy, the eye of the blind, the father of orphaned infants. . . . Whoever, then, does not use his property as a possession and knows not how to give and dispense to the poor is the slave and not the master of his goods, for he watches over what belongs to others like a servant and does not use what is his like a master. When it comes to a disposition of this kind, then, we say that the man belongs to the wealth and not the wealth to the man.

— Ambrose (c. 375 AD)

Church Fathers (Russian, c. 1076)

The Monastic Movement

At some point, perhaps in the second century after Christ but certainly by the third, some believers wanted to escape the influence and defilement of the world to such an extent that they began living as hermits. They sold or gave away almost all of their possessions and lived completely or almost completely cut off from contact with the world. This approach to the Christian life became known as monasticism, and those who engaged in it were called monks, from the Greek word *monos*, which means one or alone. In the fourth century, these monastics, as people who had decided to live apart from the world, began gathering into communities called monasteries. These monks committed themselves to a life of voluntary poverty and devoted themselves to prayer and fasting.

The monastic movement began as a way for individuals to live with repentance and humility before God. Monks who were not completely cut off from the world often served the communities in which they were located. Some of them tried to teach and influence society in an evangelistic way.

The Roman Empire eventually tolerated Christians and then established Christianity as the official religion. When Christians were no longer an outcast group, many in the church came to regard the monastics as possessing a higher level of spirituality compared to others. As Christians acquired wealth and the church began to gain social standing, some saw the monastics as evidence that the church had

This image of monks working in a field is by Jörg Breu the Elder (German, c. 1500)

not lost its soul while it acquired an ever greater portion of worldly goods.

What began as a movement of penance became a way for a person to try to do enough good to merit God's salvation. As believers began giving money and bequeathing property to the church (again, often in an attempt to earn God's favor), what began as a movement of poverty came to be part of a system that controlled significant wealth. During the Middle Ages, the Roman Catholic Church was the richest institution in Europe and had significant influence in the political realm. Kings sometimes appealed to the pope for financial support for their military undertakings.

The Protestant Reformation

Martin Luther and other leaders in the Reformation Movement rejected many traditional Roman Catholic teachings and practices, including the view that poverty was especially meritorious in the eyes of God. Luther, himself a former monk, rediscovered the idea of a personal calling available to everyone. The person who was, for example, a carpenter, baker, or wife and mother and who lived to the glory of God was fulfilling his or her calling from God at least as much as someone who lived in poverty and cut himself off from the world. Luther understood that a person could live in the mainstream of life and business and still serve the Lord. Such Christians had to guard against greed, dishonesty, and other sins; but they were not to be seen (nor were they to see themselves) as second-class Christians, as compared to those living a monastic lifestyle.

As the Protestant movement diversified in the ensuing years, teachings and practices went in many directions regarding money. John Calvin, for instance, was not opposed to Christians accumulating wealth or even loaning money as a way to build wealth, as long as they did not oppress the poor in doing so. Anabaptists criticized other Reformers for not doing enough to help the poor. Many Quakers were successful businessmen. People made attempts from time to time to establish utopian communities with communal economic arrangements.

The Puritans

The Puritans of sixteenth and seventeenth century England, some of whom settled in the Massachusetts Bay colony and elsewhere, had a significant influence in America because of their successful New England colonies. Their views of religious truth and economic realities helped to shape the thinking of American Christians about faith and money.

On the whole, Puritans saw money as a good thing because it is part of God's creation. Money was a gift from God, they said; and people are to be good stewards of what God gives them. Thus the Puritans believed that using one's God-given talents to earn money was faithful stewardship. Besides, the more money one had, the more good he could accomplish. However, financial success was not a matter of one's own merit. Instead, they saw success as a gift of God.

In the Puritan mindset, poverty was also from God. Enduring poverty could be a trial to bring about needed spiritual growth. Puritans knew from their own experience that "all who desire to live godly in Christ Jesus will be persecuted" (2 Timothy 3:12), and this persecution could involve the loss of material possessions. In addition, the reality of people in poverty provided an opportunity for believers who had wealth to get out of themselves and help others.

Still, most Puritans did not sell themselves out to the acquisition of wealth. They understood that money can be dangerous because it can replace God as the object of chief devotion in a person's heart. Money can cause a person to rely on himself instead of God. The Puritans sought a balance between honoring God as their first love and honoring God in their working lives, even as they realized that this balance is often difficult to maintain. Their priorities of hard work, simple lifestyle, and moderation led to economic success.

This lesson has touched on just a few of the ideas and movements that emerged from the second through the seventeenth century. Many Christians through the centuries have given serious thought to money and economics out of a desire to serve God faithfully in all aspects of life. Surely Christians today should do no less.

We should plan our economic activities while remembering that success is in the Lord's hands.

The mind of man plans his way,
But the Lord directs his steps.
Proverbs 16:9

Assignments for Lesson 12

Making Choices Read the excerpts from "A Model of Christian Charity" (page 25).

Literature Continue reading *Silas Marner*.

Project Continue working on your project for this unit.

Student Review Answer the questions for Lesson 12.

YMCA Gymnasium (c. 1920)

13 Economics in Church History, Part 2

My Lord is not limited; He can again supply; He knows that this present case has been sent to me; and thus, this way of living so far from leading to anxiety, is rather the means of keeping from it.

— George Müller

Nineteenth Century America

The great cause for many Christians in the middle of nineteenth century America was the abolition of slavery. The slavery issue involved moral, political, spiritual, and economic questions. Slaveowners feared that an end to slavery would bring about their financial ruin, while opponents of slavery were ashamed that any part of the country's wealth was built on the institution. Before the Civil War, American churches were divided over whether to support slavery, champion abolition, or remain silent on the issue.

Following the Civil War and the ending of slavery, the last quarter of the nineteenth century and the first quarter of the twentieth century was a period that saw a number of rapidly developing movements. American industrial growth was immense. At the same time, workers often felt exploited and began to demand better wages and working conditions. Evangelists such as Dwight L. Moody and Billy Sunday drew huge crowds. Through their ministry, thousands of people made decisions to follow Christ. Meanwhile, many Christians took up causes for social reform that had economic impact, such as prohibition, better working conditions, and a graduated income tax. The focus on social and economic causes in the name of Christ came to be called the social gospel.

Many wealthy businessmen gave financial support to Christian causes such as the YMCA, Moody Bible Institute and other training centers, as well as foreign missions. Undoubtedly the financial success of American business enabled greater funding for these efforts.

The Protestant Ethic and Capitalism

In 1904-05, German economist and sociologist Max Weber published *The Protestant Ethic and the Spirit of Capitalism*. The book was translated into English in 1930. Weber noted that capitalism developed and grew during the same period that Protestant (particularly Calvinistic) theology was gaining acceptance. In fact, two countries that were leaders in the development of both capitalist business and international trade were the Protestant Netherlands and Protestant Britain.

Weber defined capitalism as economic activity that expects a profit through peaceful, voluntary, and mutually beneficial exchanges. He saw the spirit of capitalism as the rational (that is, the reasoned or well thought-out) pursuit of economic gain. Weber's thesis was that Protestant thought was a strong influence (though not the only influence) on capitalism and capitalistic thinking. According to Weber, some of the aspects of Protestant thought that influenced the development of capitalism were:

- The idea of seeing one's vocation in life, not just service within the church, as a calling (an idea we mentioned in the previous lesson).
- The belief that discipline and hard work (sometimes called the Protestant work ethic), which led to making money, were legitimate ways to honor God and to fulfill one's calling.
- The rejection of personal luxury, which led to businessmen investing their profits in further growth of their businesses.
- The worth of the individual, which led to greater economic activity (and which also led to a commitment to political freedom, which in turn enabled greater economic activity).

Since the publication of Weber's book, many scholars have challenged and critiqued his theory. It is true that most of the industrial leaders in Europe and America at the time that Weber wrote were Protestants. Protestant thought probably did influence capitalistic activity. However, one might also argue that capitalism grew because it is an effective way to conduct business and to make a profit, and that Protestant thought justified what business owners wanted to do anyway.

Max Weber

Other Philosophies

The twentieth century saw various groups and individuals put forth several other approaches to money and economics in the name of Christ. We will look briefly at two of these as examples of how Christian people have tried to combine Biblical teaching with economics.

Liberation Theology. Liberation theology developed in the mid-twentieth century among some Roman Catholics, particularly in Latin America. Its advocates have largely adopted Marxist thought and taken a politically liberal stance. Liberation theology uses ideas from Scripture to support what it calls the liberation of the poor from their poverty by opposing those whom liberationists call the oppressors of the poor. To liberationists, the oppressors are capitalists, the government, and sometimes the Catholic hierarchy. Scriptures they use to justify this philosophy include Isaiah 61:1

(often translated, "The Lord has anointed Me to bring good news to the poor"—and what could be better news than liberation from poverty?) and Matthew 10:34 ("I did not come to bring peace, but a sword," which they interpret as supporting political revolution).

It appears that liberation theologians had their goal of political revolution to begin with, and then they found passages in Scripture that they used to give religious justification for it. This theology has several problems. First, Jesus did not come to bring about a political revolution. He disappointed all of those in His own day who expected this. Second, capitalism has not oppressed people. To the contrary, capitalism has been the way that many people have gotten out of poverty. It is true that Latin American governments have sometimes oppressed people, and some of those governments have worked with capitalists; but capitalism as an economic system is not the problem. Third, Marxism is not the way that people have found political liberation and release from poverty. Instead, Marxism brings greater power and wealth to the few who have political or military power. It has failed to bring greater wealth to the people for whom Marxists claim to speak. Fourth, liberation theology focuses on political and economic conditions in this world and has little or nothing to say about spiritual realities.

Church in Malata, Peru

Theonomy or Reconstructionism. Theonomy or Christian reconstructionism is the school of thought promoted by R. J. Rushdoony (1916-2001) and others. Christian reconstructionists maintain that the church should rule society. Their goal is the reconstruction of governmental, legal, and economic systems on the basis of their interpretation of Biblical teaching from both the Old and New Testament Scriptures.

Reconstructionism is a controversial philosophy, and many Christians have expressed reservations about it. First, the Bible nowhere teaches that the goal of the church is to rule society. Instead, the Bible indicates that the church would face persecution by the forces of worldly power (see, for instance, John 16:33 and 1 Peter 4:12-19). At the same time, the New Testament teaches that Christians should respect government (Romans 13:1-7 and 1 Peter 2:13-17). Second, reconstructionists fail to see the difference between (1) the Old Testament Law that God intended for the nation of Israel in preparation for the coming of the Messiah and (2) the new covenant in Christ that is the basis for the church which exists in many nations (Ephesians 2:14-22, Hebrews 9:11-28). Third, it is unclear who would lead such a reconstructed society, unless it would be those committed to Rushdoony's ideas. If this were the case, all others who might have different ideas would be relegated to the role of enemies or infidels. This latter group would eventually include those who began as insiders and at some point took exception to the ideas and interpretations of the leader. We would all like to think that our ideas are the best and only true ideas, but many people have suffered at the hands of leaders who have insisted that their perception of truth is the only acceptable way to think.

As we consider how Christians should live in the world without being part of the world, we should remember these words of Jesus:

Jesus answered, "My kingdom is not of this world.
If My kingdom were of this world, then My servants would be fighting
so that I would not be handed over to the Jews;
but as it is, My kingdom is not of this realm."
John 18:36

Assignments for Lesson 13

Literature Continue reading *Silas Marner*.

Project Continue working on your project for this unit.

Student Review Answer the questions for Lesson 13.

Beggar outside a church in St. Petersburg, Russia

14 Economics for Today's Christian

The world asks, "What does a man own?"
Christ asks, "How does he use it?"
— Andrew Murray

The study of economics is not just a theoretical endeavor, nor is it merely an academic exercise that uses big words and complicated ideas. Economics involves how we live and how we make decisions every day. It affects individuals as well as nations. The personal consequences of national and global financial issues remind us that economic practices and decisions have immediate impact on millions of people.

Because economics affects everyone, because it involves decisions that reflect our priorities, and because the economy is constantly changing, Christians face many decisions. In making these decisions, we look to Scripture as our guide; but we have to apply the teachings of Scripture in situations today that the Bible does not directly address (the Bible doesn't talk about multinational corporations, stock markets, or hedge funds, for instance). These decisions are not always easy, and the answers are not always clear. Well-meaning Christians can arrive at different conclusions in all good conscience. But not wrestling with these issues is not an option for those who want to follow Jesus in every aspect of their lives. This lesson presents some of the economic issues that Christians face.

For the sake of clarity, we can divide these issues into ones that primarily involve individual actions and ones that involve system-wide or economy-wide policies. However, the distinction is not always clear-cut. Actions by an individual can affect the economy as a whole, and economy-wide policies and actions have an impact on individuals. We need a Christian perspective at both levels. Certainly one person can make the greatest difference in matters that he or she can control individually. You can decide to avoid debt, for example, whether or not your government decides to avoid debt.

It will be helpful to keep these and other personal, practical issues in mind as you study the rest of the lessons in this curriculum. Economics makes a difference for your life every day.

Issues Involving the Individual

What standard of living should be a Christian's goal? Should a Christian aim for a subsistence-level existence or a more "comfortable" lifestyle?

Chick-fil-A restaurants are closed on Sundays to give operators and employees time to rest, spend time with family and friends, and worship if they choose. Founder Truett Cathy (1921-2014) was a Christian who sought to build the business in keeping with his faith.

Should a Christian strive for the greatest income he or she can acquire, with the goal of using profits or income above a certain level to help others in some way? What price or sacrifice should Christians be willing to pay to achieve the standard of living they want to have? Is job satisfaction more important than level of income?

How should a Christian be engaged with the world in terms of economics? Should we withdraw from the world as much as possible and try to develop an individual or small group economy? Should we store up supplies and cash to tide us over a period of time in case of an emergency? What is the best way that an individual Christian or a church can help the poor? Should we campaign for candidates whose economic proposals we support? Should Christians boycott or picket businesses that use or exploit undocumented foreign workers or that sell materials that Christians believe are indecent?

Assuming that a Christian business person will be committed to honesty and integrity, what other principles should he or she follow in business? Should she limit her work hours (for instance, not working on Sunday or in the evenings)? Should he avoid using or selling products made in countries that do not respect human rights? Should she always try to grow her business, or should she be satisfied at a certain level of income? Can a person be a Christian and a (fill in the blank: capitalist? socialist? clerk at a convenience store or movie theater?). Should a Christian business person's main goal be making a profit or serving the community (whether it be the church community or the community at large)? Does a Christian have to choose one or the other?

How should a Christian business person use his profit? Should he make a capital investment to expand his business? Should she pay a bonus to her workers? Should he take his family on a vacation? Should she give it to the poor or to missions?

Is a Christian guaranteed financial success? We have discussed several verses in the Old and New Testaments that say the Lord will provide for His faithful. However, Christians do from time to time get laid off from their jobs or suffer other economic hardship. Christians have to endure scarcity like everybody else. Job is an example of someone who was faithful to God but who suffered severe economic reversal.

Here are some thoughts on these questions. First, we have to make sure that we understand God's definition of success. Spiritual success in His eyes is most important. Having everything we want is not within God's definition of success.

Second, God does promise to take care of His people (see, for example, Psalm 37:25, Matthew 6:33, Luke 6:38, and Philippians 4:19).

Third, God will sometimes provide for His people through the generosity of other Christians when a brother or sister has a need.

Fourth, God provides, but we still have to work. He does not promise abundance as a reward for laziness. He expects people to invest their time, labor, and other assets wisely.

Fifth, God indicated early on that His will for abundance can be thwarted by disobedience (Deuteronomy 28:15-68). Sin that causes problems in an economic system can adversely affect individuals within that system.

Sixth, Job did suffer economic reversal; but it was for a divinely-guided purpose.

Silk factory in Dalat, Vietnam (2012)

Jesus said that giving would result in blessings to the giver (Luke 6:38), but Jesus did not say that giving to Him was the way to obtain the blessings. The lesson from Scripture is that if you are generous you will have plenty (Proverbs 11:24, 19:17). Moreover, a faithful Christian who goes through an economic reversal might inaccurately blame the problem on a lack of faith. The fact is that we have struggles in this world. God has His good purposes in this world and for each individual life. He sends rain on the righteous and the unrighteous (Matthew 5:45), and He disciplines those whom he loves (Hebrews 12:6). God is not a cosmic gumball machine that dispenses prizes to the one who puts his money in just the right non-profit slot.

Issues Involving the Broader Economy

What standards characterize a just economy? For instance: Should every person in that economy be able to feed and clothe his or her family? What is the responsible use of natural resources? Should every citizen have a voice in choosing leaders and thus in directing economic policy?

How should a Christian, or the church, or the economy address certain issues? These issues include poverty, the environment, equal pay for workers doing the same job, discrimination against certain categories of people in the workplace, energy usage and development, and relationships with developing nations (should we utilize their workers; should we provide aid and, if so, in what form?).

Do you want to see a smaller, more efficient, and less intrusive government, or a larger, more activist government? Issues involved in this question include the protection of personal liberties; government regulations on business; inefficiencies in government; appropriate levels of taxation; and the government's role in helping the poor, protecting property rights, providing economic stimulus, and encouraging business initiative.

Should wealth be redistributed? If not, what are the prospects for the poor? If so, to what extent should it be done and who should do it: individuals, the church, charities (all through direct donations or the creation of programs), or the government (through collecting taxes and then providing payments and programs)?

What is your view of corporate executives who have large pay and benefits packages? Should the government impose any limits on their income and benefits, especially in companies that are government contractors or that are filing for bankruptcy?

These questions remind us that we cannot leave our faith outside of the bank, investment office, workplace, or voting booth. Living completely for Christ means seeking God's will and wisdom in these and other economic questions. The prophet Micah taught God's people the basics that God requires:

He has told you, O man, what is good;
And what does the Lord require of you
But to do justice, to love kindness,
And to walk humbly with your God?
Micah 6:8

John Searcy started selling car batteries in the Dallas/Fort Worth area in the 1950s. He named his business the Interstate Battery System. Norm Miller, an Interstate employee, took over leadership in 1978 when Searcy retired. Miller is an outspoken Christian who has sought to run the business in accordance with his faith. Their company purpose is "to glorify God and enrich lives as we deliver the most trustworthy source of power to the world."

Assignments for Lesson 14

Making Choices Read "The Use of Money" by John Wesley (pages 26-33).

Literature Continue reading *Silas Marner*.

Project Continue working on your project for this unit.

Student Review Answer the questions for Lesson 14.

The Preaching of St. John the Baptist (detail)
Peter Brueghel the Younger (Flemish, 1604)

15 The Love of Money

Long Island, New York: A Walmart employee is trampled to death on the morning after Thanksgiving as crowds of shoppers anxious to get into the store on "Black Friday" break down the front door.

— News item, November 2008

One of the main causes of problems and unhappiness with regard to money is greed. According to the Merriam-Webster dictionary, greed is "a selfish and excessive desire for more of something (as money) than is needed." Greed is the desire to have more of something for a selfish reason, such as to have more than someone else has or to have more in order to enjoy more power and status.

Biblical Teachings About Greed

The Bible has much to say about greed. When Abram and Lot separated in Canaan, Lot selfishly chose the better land. He chose to live in wicked Sodom, a decision based on a selfish desire that caused him great sorrow and loss (Genesis 13:1-13, 19:1-38).

The Ten Commandments prohibit coveting anything that belongs to one's neighbor (Exodus 20:17). God knew that greediness toward what a neighbor had would cause strife and unhappiness.

Amos condemned those of Israel who trampled the needy, who were eager for a religious festival to be over so that they could trade dishonestly again, and who were willing to treat the poor as things in order to have more themselves (Amos 8:4-6).

John the Baptist told the tax collectors who came to him to collect only what they were supposed to. He instructed soldiers who came to him not to extort money from people and to be content with their wages (Luke 3:12-14).

Jesus warned a man who was being greedy about an inheritance to be on his guard "against every form of greed; for not even when one has an abundance does his life consist of his possessions." The Lord then told the parable of the rich fool who wanted bigger barns but who died suddenly and left all that he possessed to others. "So is the man who stores up treasure for himself, and is not rich toward God," concluded Jesus (Luke 12:13-21).

Ananias and Sapphira conspired to lie to the church and to the Holy Spirit about the sale price of some property they sold, so that it would appear they were giving all of the proceeds of the sale to the church when in fact they were keeping back part of what they had received. They paid for their greed with their lives (Acts 5:1-10).

Paul said that greed "amounts to idolatry" (Colossians 3:5). James explained the tangled web that results from the wrong kind of desires:

> What is the source of quarrels and conflicts among you? Is not the source your pleasures that wage war in your members? You lust and do not have; so you commit murder. You are envious and cannot obtain; so you fight and quarrel. You do not have because you do not ask. You ask and do not receive, because you ask with wrong motives, so that you may spend it on your pleasures.
>
> James 4:1-3

John said that the "lust of the eyes" is not of the Father but is of the world and is passing away (1 John 2:16-17).

Examples of Greed from the American Economy

The men who oversaw the companies that built the transcontinental railroad in the 1860s received huge fortunes from the project, even though the workers on the line were paid relatively little and sometimes got paid late. In the late nineteenth and early twentieth centuries, many American manufacturers used cheap child labor and did not want to pay adult workers what many considered to be a decent wage.

To say that the poor are poor because the rich are rich is too simplistic. However, greed for more money has characterized the decisions and actions of many businessmen.

This young man lost his legs in a West Virginia coal mining accident when he was fourteen (1910)

Crowd outside the New York Stock Exchange after the crash of 1929

Throughout American history, the free market has allowed greedy and sometimes unscrupulous people to try to get rich; but their attempts have often resulted in catastrophic losses for many people. Greed was a factor in the stock market crash of 1929 and the Great Depression that followed. Consumers wanted more and more stuff, investors wanted more and more profit, and the economic system let people gamble on the possibility of ever-higher stock prices. When prices fell, many people were hurt.

Many American businesses have moved their production facilities to other countries where labor is cheaper. The result has been the loss of thousands of American jobs while some executives keep their jobs and continue to receive large salaries. The decision regarding where to locate production facilities is one factor in a complicated process. Moving production overseas can help a company remain competitive. But another motive for such a move could be greed. On the other hand, American consumers have not consistently been willing to pay higher prices for American-made goods, at least in part because they have wanted to hold on to a little more of their money.

Many stories have come to light telling of executives receiving enormous pay and benefits packages even as their companies were failing. Some cases involve outright fraud and deceit, while in other situations executives were able to make the best of a bad situation for themselves because of their position of power.

Some businesses use strong-arm tactics with their suppliers so that those businesses can pay less for what the suppliers produce and thus have greater profit. People can get over their heads in debt because they are greedy. They want to own more stuff than they can realistically afford with their income.

Greed was a major factor in the recession of 2007-2009. People wanted to own homes that were beyond what they could afford to buy, banks wanted to make a profit by making loans to those people, and politicians encouraged looser mortgage practices so that they could get credit for enabling more people to own their own homes. When people could not afford to make the payments on their mortgages, they lost their homes and banks got stuck with homes worth less than what the banks could sell them for (we will study this financial crisis in more detail in a later lesson).

Principles at Work

Money (we might also call it riches or wealth) is not evil in itself. Like so many things in our world, people can use money for good or for ill. Wealth is a gift from God, but it is not to be a god (Matthew 6:24). Although many people seem to worship money or what it can provide, money is a poor god because it does not really satisfy our desires. Not only can it easily be lost, it can also leave us spiritually impoverished even in the midst of material abundance.

Maurice Sterne, born in Latvia in 1878, emigrated to the United States in 1889. Sterne's painting entitled Greed *(1939) is displayed in the main library of the Department of Justice building in Washington, D.C.*

The problem is with the attitude of greed. A person's attitude toward money reveals a heart condition—what that person truly desires. Someone could be greedy and not have much money, or that person could have a great deal of money and not be greedy. Paul gives us the solution when he instructs us to be content, thankful for what we have and confident that God will continue to provide:

> But godliness actually is a means of great gain when accompanied by contentment. For we have brought nothing into the world, so we cannot take anything out of it either. If we have food and covering, with these we shall be content. But those who want to get rich fall into temptation and a snare and many foolish and harmful desires which plunge men into ruin and destruction. For the love of money is a root of all sorts of evil, and some by longing for it have wandered away from the faith and pierced themselves with many griefs. (1 Timothy 6:6-10)

Greed is an issue in our economy because it is so commonly present in the hearts of people. Many factors play a part in a nation's economic life; but at the core, people like you and me far too often make decisions on the basis of greed instead of contentment and trust. The Bible frequently reminds us that greed has negative consequences.

The righteousness of the upright will deliver them,
But the treacherous will be caught by their own greed.
Proverbs 11:6

Assignments for Lesson 15

Literature Finish reading *Silas Marner*. Read the literary analysis of the book beginning on page 19 in the *Student Review* and answer the questions over the book.

Project Finish your project for this unit.

Student Review Answer the questions for Lesson 15 and take the quiz for Unit 3.

Market in Afghanistan (2009)

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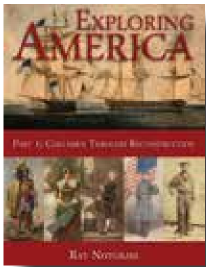

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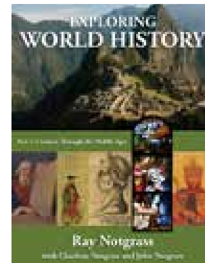

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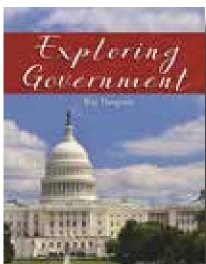

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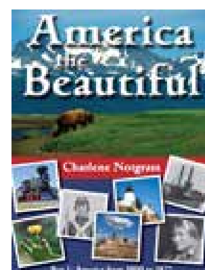

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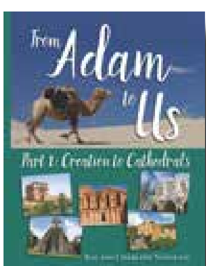

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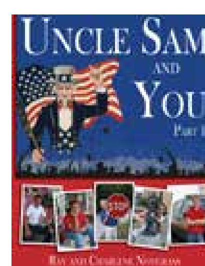

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