

## Thoughts on a biblical economic worldview or Godonomics

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This third extract continues consideration of '10 thoughts on a biblical economic worldview' with a review of the third and fourth of those ten principles as we set out in the introduction.

### Without the Fall there would have been no market failure

Post-Eden, in our fallen world, markets do not operate perfectly, there is market failure. But a little thought quickly shows why there wouldn't be any market failure without there having been a Fall. Consider the classic economic textbook examples of market failure:

- **Externalities** such as the social costs of environmental damage – e.g. a factory polluting into a river - wouldn't arise because perfect people would not want to impose that burden on other people<sup>1</sup>. Philippians 2:4 has direct economic application here, with the instruction to consider the interests of others and not impose negative externalities in a fallen world.
- **Public goods** are goods that are both non-excludable and non-rivalrous, where individuals cannot be effectively excluded from use and where that use doesn't reduce the availability of that good to others (e.g. the light from a lighthouse). Other examples of public goods, such as the armed forces, would be irrelevant in a world of perfect people, because there would be zero demand for their services.
- **Anti-competitive practices** wouldn't arise in a world of perfect people either, since they would wish to love their neighbour and not exploit him or her in any manner or form.

This provides *prima facie* evidence that the free-market system was instituted by God before the Fall of man, because perfect people would have then been able to operate a perfect system. Pre-Fall there was no market failure and therefore no need for intervention.

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<sup>1</sup> Clearly pre-fall Adam and Eve walked in the Garden of Eden with God, and would eagerly have pursued His purposes for creation, and so the idea of an environmental cost wouldn't exist for that reason also.

The market does not lose its relevance in a fallen world. Quite the opposite. The free-market was designed by God to work perfectly in a perfect world, but it also works better than any alternative in a fallen world. The closer the economy conforms to His economic model, the better it will perform (as shown in the stewardship section below).

Whilst intended for a perfect world, the free-market is also designed to harness the behaviour of fallen man for good purposes. It has in-built structures to incentivise and encourage good economic behaviour. The voluntary and competitive nature of free markets means that if there is exploitation of workers or consumers, the same people can move elsewhere. If a person is being paid below the market rate, he or she can move to work somewhere else. If a consumer is being ripped-off by over-the-top prices, he or she can buy from somewhere else. In a fallen world this process will never work perfectly, but to the extent that it doesn't work and can be overcome, we need more not less capitalism, with greater competition from the dynamic entry and exit of firms.

The great benefit of the market economy then is that it tries to harness fallen human nature for productive purposes, most notably using competition, profit and incentives – to work, save and invest. Competition, with the free entry and exit of firms, hampers any attempt to exploit consumers and workers. Incentive mechanisms - such as the nature of the tax system - can increase or decrease economic activity, depending on how low or high the burden of taxation is set. The exploitative capitalist is not a sustainable business model where there is voluntary exchange and intense competition – from the entry and exit of firms. The fundamental point here is the voluntary nature of the free-market and how that results in a positive sum game, for both parties to a transaction. The market is not a zero-sum game.

### **God's economic model began in the Garden of Eden**

The theological, hermeneutical and exegetical task of understanding the nature of a biblical free-market economic model is made much easier by recognising the simple core principle that: God's economic model for mankind began in the Garden of Eden. Simple reasoning means that by pursuing this principle we can discern a biblical economic worldview.

The Book of Genesis clearly teaches that man was given free-will in the Garden of Eden. Free-will extended to all human activities<sup>2</sup> and therefore covered the economy (albeit a rather small one). So perfect men and women were deemed by God perfectly capable of operating a free-market economy. Man was given free-will from the outset of creation and the principle of freedom underpins God's purposes in economic activity today.

Christians believe God is a God of order, evidenced in creation. That order is not confined to the scientific realm alone. It surely extends to all of His creation, with an acknowledgement of an underlying divine order in economic life also. If we accept that there is a divine order in the human, as well as in the scientific realm, then it must have been present at the end of the 6 days of creation. It may not have been visible, but it was there, hovering over the water, waiting to appear and bear fruit. And if it was there, before the fall of man, it would have been characterised by 2 key attributes:

- Perfection.
- Characterised by freedom.

So, in the Garden of Eden perfect people operated a perfect market. The economy was perfect and free, because people were perfect and had free-will. We can therefore state with confidence that the free-market is God's market.

The immediate and obvious critique here is that there was no market, because there was only Adam & Eve. Whilst obviously true in a practical sense, the more important point is that perfect people displayed all the moral attributes required to ensure a market operated perfectly. In other words, if they hadn't sinned, but still multiplied in number with Cain and Abel etc, a perfect market would have grown in size. As will be shown, if you start out with this proposition, God's economic rule-book becomes much clearer and straightforward to understand in a fallen world. Moreover, with perfect people there would have been no market failure and no need for state intervention.

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<sup>2</sup> Obviously with the one exception being eating from the tree of knowledge of good versus evil.

Then came the fall, and sin corrupted everything, including the economy. The fall did not come as a surprise to God, because He sees the end from the beginning (Isaiah 46:10). His economic creation would have worked perfectly, but now it doesn't, it has been corrupted, but He knew that would happen when He created it.

Just as in the scientific realm, God doesn't abandon the creation economic model, He instead lets it operate, recognising it is the deficiency of man (the sinner) which undermines the efficiency of the economy (the system). Coercive government enters the economic model, because the fallen world needs law & order and defence. But a fallen world also has other economic consequences with regard to externalities and public goods (explained below) and God's free-market in the Old Testament is therefore adjusted to permit limited state intervention (to pay for law & order, defence, police, soldiers etc). These occupational functions wouldn't exist or need to be financed in a world of perfect humanity.