

Thoughts on a Biblical Economic Worldview or Godonomics

By Graeme Leach

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

The Bible prescribes minimal government

In the Old Testament Samuel strongly warns against the Israelites taking a king because he (and all his servants) would come at great cost (1 Samuel 8:6-22), but eventually the Lord says OK let them have one, on their head be it. Samuel's warnings about the growth of government are as relevant today as back then. God recognises the state, but also its lust for growth and power.

The Bible clearly states Government is an instrument of God's wrath, but also God's servant for good (Romans 13:1-7) as the primary agent of justice, because it has a monopoly on force. But God's role and limits of government in scripture appears to be confined to defence, law & order and justice, encapsulated in the Biblical mandate for government to punish those who do wrong (1 Peter 2:14).

The Bible also warns against the increasing concentration of economic power and wealth, adding field to field and house to house (Isaiah 5:8). However, there is no substantive Biblical authority for state intervention to re-distribute wealth. Many rich men and women were among Jesus' followers and were in no way condemned. The Bible declares wealth a blessing from God. The possession of wealth is strongly protected in 2 of the 10 Commandments. Of course, the Bible warns against the love of money being the root of all kinds of evil (1 Timothy 6:10) and warns that material wealth can co-exist with poverty of the soul, as evidenced in the story of the unnamed rich man in hell seeking help from the poor beggar Lazarus. It's also addressed squarely in Jesus' warning that it is easier for a camel to pass through the eye of a needle than for a rich man to enter the kingdom of Heaven.

There is a clear lack of biblical exegesis supporting state intervention.

The market provides us with the opportunity to be sub-creators as we serve each other. We were created as individuals with different preferences and the ability to make our own choices and the essence of God's economic model is service. The free-market allows different and changing individual preferences and subjective values (tastes and motivations) to determine the allocation of scarce resources for their most valued use.

The producer provides a good or service which the consumer desires. It is an entirely voluntary arrangement, the reward for which is the good/service and the payment/profit. Voluntary exchange is fundamental to making sure that economic activity between different parties is a positive not zero-sum game – all parties gain. Economic freedom is fundamental to voluntary exchange, as is the correctly understood biblical concept of self-interest. Self-interest, correctly understood, preceded the Fall and is the mechanism of human choice¹ when implemented in accordance with biblical values.

We all have a comparative advantage². God has given all of us different talents and skills and wants us to develop them with free-will. Greater freedom permits both individuals and countries to exploit their comparative advantage - their God given talents - for greater specialisation (the division of labour), productivity and prosperity. IFWE³ has written that: *'The division of labour is an extension of how we are created uniquely. We are unique and limited, which means that we have something special to offer others, but we can't offer everything. We can't do all things well. The division of labour works when we all can focus on improving or cultivating our gifts'*. The operationalising of comparative advantage is made possible through freely determined market prices: *'There has to be a way to communicate the subjective value housed within each of us, incentives to create value, opportunities for people to do what they're good at, and trade with others to enjoy a wider variety of goods and services. Fortunately, we were each made with a calling and a comparative advantage'*.⁴

¹ The Christian case for capitalism is rooted in the Bible. Secular justifications may also be powerful, but at times may conflict e.g. Ayn Rand's 'virtue of selfishness' which is meant to be about 'concern with one's self interests' but appears to be right out of the Screwtape playbook. Another point of friction, between secular and biblical justifications for a free-market, is Friedrich Hayek's 'spontaneous order' which as a concept is fine, but not when associated with some form of survival of the fittest, social evolutionary worldview.

² Comparative advantage means that even if I have an absolute advantage over everybody else because I'm better at doing everything, economic output and efficiency is maximised if I concentrate on doing those things where my comparative or relative advantage is greatest.

³ IFWE ibid.

⁴ IFWE ibid.

Property rights are absolute

The contrast between the Bible and communism with regard to property rights could not be greater. In 1847 Karl Marx wrote that: *'The theory of communism may be summed up in a single sentence: Abolition of private property'*.

Property rights are foundational to capitalism and God places great importance on them as both a principle in and of itself, but also no doubt for the incentive effect which the protection of property rights provides. Property rights incentivise individuals to make investments with their human and financial capital. Prices emerge through these property rights being voluntarily exercised and these provide entrepreneurs with the information (profit or loss) to make the correct decision as to whether or not to increase or decrease output, as the individual subjective values of consumers are freely expressed.

The Bible explicitly establishes a private property system that denies any legitimacy for economic models based on state interventionism. The protection of property rights was a dominant feature of the Mosaic Law (private property rights are seen in the equal distribution of land within Canaan) and is powerfully reinforced in the New Testament Parable of the Owner and Labourer: *'Am I not allowed to do what I choose with what belongs to me?'* (Matthew 20:1-16). This is a very strong Biblical statement and suggests that an employer is free to do what he/she chooses with their property and shouldn't be subject to external control or beliefs about what is or isn't fair. Again, this presents an argument for minimal intervention by the state.

In our modern world with big government, we have perhaps missed a much deeper biblical meaning of property rights as being to 'own oneself'. This is a much 'thicker' concept of property rights, which places economic rights on a par with natural rights⁵. In practical terms it means property rights based not just on property rights in the sense of assets (land, buildings, financial assets) but also on the scale of our retained post tax income and the personal responsibility that entails. After all, the more tax we pay the fewer choices we have. Money sent to Whitehall prevents us sending it to the refugee crisis in Syria. That is a moral choice.

⁵ Admittedly argued by the libertarian philosopher John Tomasi. *Free Market Fairness*, J. Tomasi, Princeton University Press, 2012.

In the view of this author, this is a worldview which is entirely consistent with scripture. Property rights are surely key to individual responsibility and accountability: (1) Responsibility for oneself. (2) Responsibility for the use of what one owns. This radically different interpretation of property rights places responsibility on the individual and his or her accountability not to pass-by on the other side.

Property rights are fundamental to the successful operation of a market economy in a fallen world. If property rights are usurped economic activity and investment will cease. The biblical commands *'Thou shalt not steal'* (Exodus 20:15) and *'Thou shalt not covet'* (Exodus 20:17) are an absolute with regard to property rights. The Bible doesn't say, *'thou shalt not steal, unless there is a majority to do so in the House of Commons to do so with more taxation'*.

Progressive taxation is not biblical

It doesn't take long to look at our contemporary tax system to notice how far removed it is from the biblical model. The modern tax system is progressive i.e. the more you earn the higher the share or proportion of your income that you pay in tax. From a biblical perspective this is deeply worrying because nowhere in scripture is there any endorsement of progressive taxation, quite the opposite in fact.

Flat rate or proportional taxes where the same tax rate is applied at any level of income can be seen in the 10 percent payment of crops and livestock, from the yield of the land, cited in Leviticus 27:30-32: *'and concerning the tithe of the herd or the flock or whatever passes under the rod, the tenth one shall be Holy to the Lord'*. There is no progressivity in tithing. Obviously, the more you have, the more you will pay, but at the same percentage rate.

Lump sum taxes are also cited as in Exodus 30 and the application of the, *'half a shekel tax for everyone numbered'* but crucially and of paramount implication for today, Exodus 30: 15 states that, *'the rich shall not give more and the poor shall not give less than half a shekel'*.

Capital Gains Tax is essentially a tax on profits which rubs against the Parable of the Talents (Matthew 25:14-30) and the Parable of the Minas (Luke 19:12-27) which commend profit. The Bible would appear to say that the more profit you make the more you should be rewarded.

Modern inheritance tax seemingly runs against the grain of the biblical model as well, given Proverbs 13:22 which states that: *'a good man leaves an inheritance to his children's children'*. Further corroboration can be found in Ezekiel 46:12, Proverbs 19:14, 1 Chronicles 28:8 and Ezra 9:12.

Encroachments on economic freedom and property rights, in the form of taxation, introduce disincentives to economic activity, by lowering the returns from work and investment. Choices we would have made, but won't, are not free choices. They also have economic consequences in the form of deadweight costs i.e. the loss of output which would have but now won't occur. Prosperity and the economy are smaller as a consequence.

In the wake of the fall God appears to have ordained only the least distortive forms of taxation⁶. His free-market is not to be undermined by more distortionary forms of taxation. God doesn't want to distort His free-market any more than He has to. And if people aren't engaged in any economic activity, they're not to be charged any taxation (e.g. the Levites).

We're also warned of the huge political consequences of getting taxation wrong, in the example of heavy taxation eventually contributing to the division of the kingdom between Israel and Judah.

⁶ We still need to render unto Caesar with regard to taxation.